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BUDGET ANALYSIS 1991 BIENNIUM

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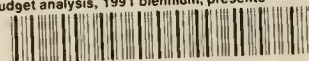


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BUDGET ANALYSIS

1991 BIENNIUM

Presented to the 51st Legislature

Volume 2

Submitted by

The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1989

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January, 1989

Members of the Fifty-First Legislature
Members of the Legislative Finance Committee

In accordance with the provisions of Section 5-12-302, MCA, I submit for your consideration an analysis of the executive budget for the 1991 biennium. The purpose of this analysis is to assist the legislature in performing its duties which are set forth in Article VIII of the Montana Constitution to balance the budget and to insure strict accountability of all funds.

The Budget Analysis is designed to be a working document containing fiscal information relevant to budgeting decisions. We are available to assist all legislators in obtaining information related to fiscal issues.

The staff wishes to express its appreciation to the agency personnel who were very cooperative about answering questions and supplying data. The Publications and Graphics Divisions has, as usual, been extremely professional and efficient in printing this book.

In compiling the Budget Analysis, each staff member put in many extra hours and deserves a very special thank-you for the sacrifices made to do a thorough analysis and complete it on time. With the K-12 Education Study and the University Funding Study continuing into the fall, the following five staff did an exceptional job of handling both the studies and their budget analyses: Curt Nichols, Madalyn Quinlan, Sandy Whitney, Dori Nielson, and Keith Wolcott.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Judy Rippingale".

Judy Rippingale
Legislative Fiscal Analyst

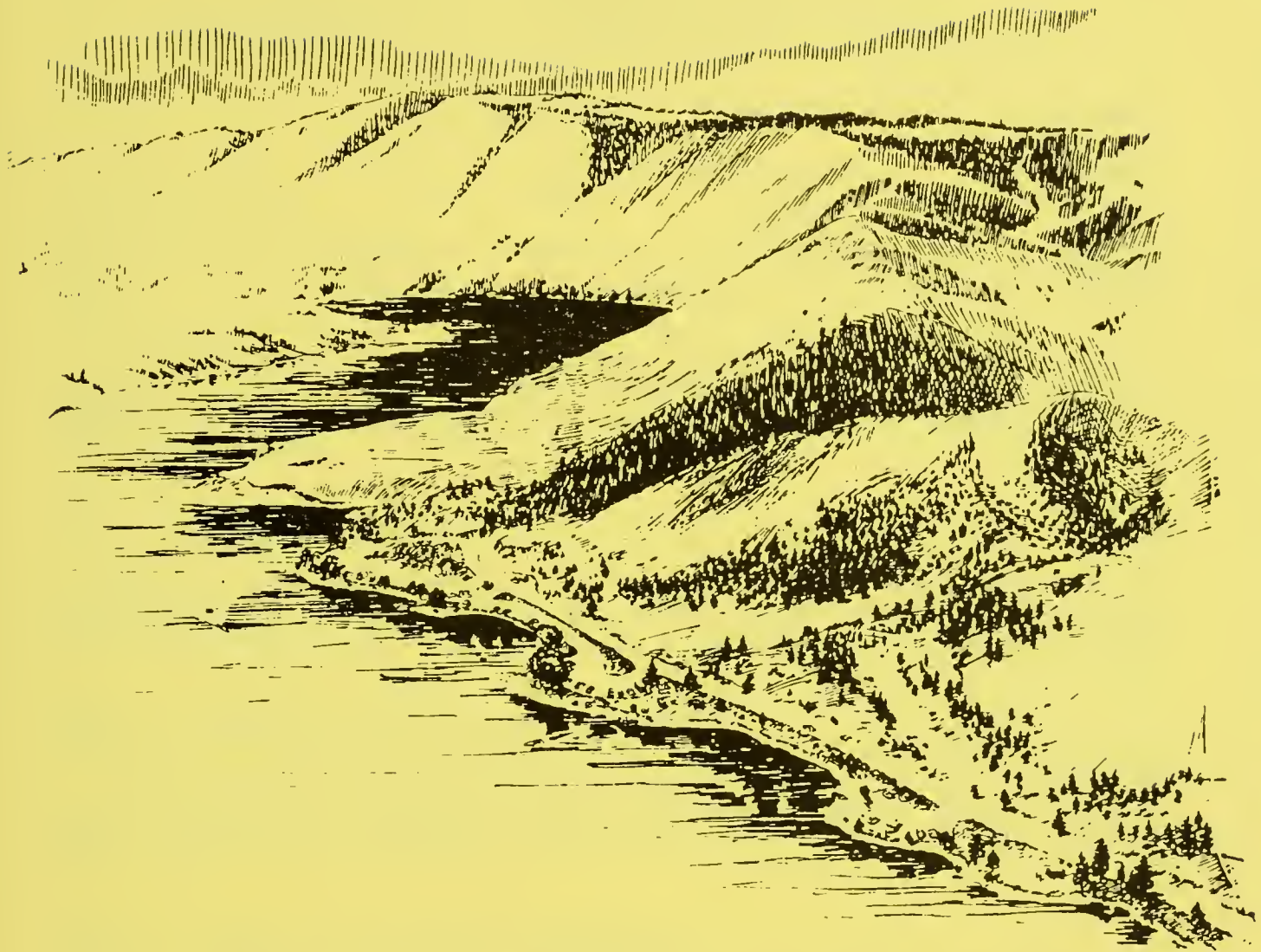


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NATURAL RESOURCES & COMMERCE

DEPARTMENT OF PUBLIC SERVICE REGULATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	46.0	\$3,347,454	\$3,437,558
LFA Current Level	46.0	3,371,515	3,461,619
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ (24,061)</u>	<u>\$ (24,061)</u>

The difference between the executive budget and LFA current level is primarily due to five factors: 1) vacancy savings, 2) employer benefit and longevity calculations, 3) reduction in operating expenses, 4) equipment, and 5) a budget modification.

ISSUE 1: VACANCY SAVINGS

The executive budget has applied a 2 percent vacancy savings factor to personal services compared to a 4 percent factor applied by the LFA. Therefore, the executive budget has \$48,165 more than LFA current level.

ISSUE 2: EMPLOYEE BENEFITS AND LONGEVITY

The executive budget has reduced employee longevity by \$9,054 from LFA current level, and the executive budget is \$4,638 less than the LFA current level for the commissioners' benefits. The executive has indicated that the reduction was an error.

ISSUE 3: OPERATING EXPENSE REDUCTIONS

The executive budget has \$26,325 less in operating expenses than LFA current level. The major differences are \$13,462 less in travel and \$10,140 less for employee recruiting costs. The travel difference is approximately \$4,500 per year for the pipeline safety program. LFA current level includes the \$4,500 per year which the commission indicated was needed because in fiscal 1988 the safety inspector had health problems and did not have a normal travel year.

ISSUE 4: EQUIPMENT

The executive budget has \$33,311 less funding for equipment than is contained in LFA current level. Table A details the differences between the executive budget and LFA current level.

Table A
Equipment Budget Differences Between LFA Current Level
and the Executive Budget

<u>Equipment Items</u>	<u>LFA Current Level</u>	<u>Executive Budget</u>	<u>Difference</u>
Vehicle	\$20,492	\$10,246	\$(10,246)
Computer (new)	16,465	7,857	(8,608)
Computer (upgrade)	23,000	23,000	-0-
Software (upgrade)	10,000	-0-	(10,000)
Office	7,095	2,628	(4,467)
Total	<u>\$77,052</u>	<u>\$43,731</u>	<u>\$(33,321)</u>

ISSUE 5: CONSULTANTS MODIFIED

The executive budget has a \$30,000 biennial budget modification for specialized contracted services such as: expert witness; National Association of Regulatory Utilities Commissioners professional services; data analysis of MPC natural gas pipeline monitoring; issue development in cases where the Montana Consumer Counsel is unable or declines to hire consultants for certain proceedings; and consultants to assist in representing the interests of Montana rate payers before federal regulatory bodies. An offset to the \$30,000 budget modification is the executive reduction of current level consulting services by \$27,520. LFA current level includes the \$27,520 which creates a net difference of \$2,480 between LFA current level and the executive budget.

PUBLIC SERVICE REGULATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	46.00	46.00	46.00	46.00	0.00
Personal Services	\$1,311,518	\$1,359,144	\$1,362,919	\$1,365,549	2.16
Operating Expenses	314,659	361,451	335,041	321,058	(2.96)
Equipment	46,949	22,705	53,582	23,470	10.62
Total Operating Costs	\$1,673,126	\$1,743,300	\$1,751,542	\$1,710,077	1.32
Non-Operating Costs	15,000	-0-	-0-	-0-	(100.00)
Total Expenditures	<u>\$1,688,126</u>	<u>\$1,743,300</u>	<u>\$1,751,542</u>	<u>\$1,710,077</u>	<u>0.88</u>
Fund Sources					
General Fund	\$1,645,490	\$1,693,166	\$1,705,740	\$1,665,775	0.98
Federal Revenue	27,949	35,134	25,802	24,302	(20.57)
Proprietary Funds	14,687	15,000	20,000	20,000	34.74
Total Funds	<u>\$1,688,126</u>	<u>\$1,743,300</u>	<u>\$1,751,542</u>	<u>\$1,710,077</u>	<u>0.88</u>

ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Railroad Track Safety Program	\$(32,000)	\$ -0-	\$(32,000)	\$ -0-

Program Description

The Department of Public Service Regulation is responsible for regulation of public utilities, motor carriers, and railroad industries to provide safe, reliable, and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered. There are five public service commission districts, with one commissioner elected from each district.

Budget

The 2.16 percent increase in personal services reflects four positions which were partially vacant in fiscal 1988 but are budgeted as filled in the 1991 biennium. The positions include an attorney position which was filled in May of 1988, a utility rate analyst position which was filled in June of 1988, a compliance specialist which became vacant in January of 1988, and a program analyst which was vacant part of fiscal 1988.

The \$20,382 increase in operating expenses between fiscal 1988 and fiscal 1990 reflects the following changes. First, included in fiscal 1990 is \$13,836 for the legislative audit costs. The legislature appropriated \$13,404 for legislative

audit costs in the 1989 biennium and the \$13,404 is reflected in the fiscal 1989 appropriation. Second, insurance increased by \$1,282 in fiscal 1990 and \$1,356 in fiscal 1991. Third, Secretary of State filing fees increase by \$965 per year. Fourth, SBAS on-line entry costs increased by \$763 per year. Fifth, in-state travel increased by \$4,509 per year for the pipeline safety program. In fiscal 1988, the pipeline safety inspector suffered a stroke and was unable to travel. The current level base rebuilds the travel budget back to the appropriated level in fiscal 1988.

The current level equipment budget is as the commission requested. Included in the current level equipment is \$10,246 per year to replace one vehicle each fiscal year, \$38,749 in fiscal 1990 and \$10,716 in fiscal 1991 for computer hardware and software, and \$4,587 in fiscal 1990 and \$2,508 in fiscal 1991 for office equipment.

The non-operating expenditure in fiscal 1988 is for a sound masking system for the commission offices. The commission requested \$3,000 in fiscal 1990 to complete the system; but the request was not included in the current level because the legislature did not approve funding for the sound masking system when it was requested for the 1989 biennium.

Funding

The Public Service Commission is funded with general fund. The amount of general fund appropriated for commission operations is refunded by a utility tax. The amount of utility tax collected is based upon the general fund appropriated to finance the commission. In fiscal 1988, there were two programs administered by the commission which received federal funds. These programs were the Pipeline Safety Program and the Railroad Safety Program. The Pipeline Safety Program was funded 50/50 percent federal/state match and the Railroad Safety Program was funded 15/85 percent federal/state match. In the 1991 biennial budget, the state will receive \$25,802 in fiscal 1990 and \$24,302 in fiscal 1991 for the Pipeline Safety Program. This is comparable to the \$23,063 which the state received in fiscal 1988. However, the state will not be receiving any federal funds for the Rail Safety Program. In fiscal 1988 the Railroad Safety Program had expenditures totaling \$32,558 of which \$4,886 was financed by the federal government. For current level, the program is at the \$32,000 with the entire funding coming from general fund.

The proprietary funds are the revenues the state receives from out-of-state utilities for auditing expenses. The state is reimbursed by the utilities for traveling out-of-state to do auditing.

ISSUE 1: RAILROAD TRACK SAFETY INSPECTION PROGRAM

In fiscal 1983, the legislature authorized the Public Service Commission to implement a Railroad Track Safety Inspection Program which was funded 50 percent with federal funds and 50 percent with general fund. The program was designed to supplement the federal railroad track inspectors with state track inspectors. Currently inspecting the trackage in Montana are two federal inspectors: one located in Billings and one in Spokane, Washington, plus one state inspector located in Helena. The three inspectors divide up the trackage in the state for inspection.

Since 1985 the federal government has reduced the percentage of support that it will pay for state track inspection. In fiscal 1988, the federal government paid approximately 15 percent of the transportation costs. For the 1991 biennium, the federal government has stated, via a letter, that it will no longer financially contribute to the state program, but the federal government hopes that the state would continue in the program. The cost of continuing the Railroad Track Safety Inspection Program is \$32,000 general fund per year.

If the state program was eliminated, there would still be two entities monitoring the condition of the tracks. First, the federal government would have the two federal inspectors in Montana. Second, the railroads, who have the greatest interest in maintaining safe trackage, would be monitoring the tracks.

In checking with other states on the number of rail inspectors operating in their state, there are two federal inspectors in North Dakota, one state and one federal inspector in Utah, and two federal inspectors in Wisconsin. If the state were to eliminate the one state inspector, then Montana would have the same number of inspectors as most neighboring states.

The railroads are interested in maintaining their trackage in safe running order because, as stated by a track maintenance supervisor for one of the major railroads in Montana, the railroads have a financial interest in insuring that the trackage is continuously maintained. Unsafe trackage leads to accidents, and accidents have a negative impact on a railroad's financial picture. Therefore, the legislature may wish to consider removing the state from the railroad track inspection business by reducing \$32,000 per year and one FTE from the Public Service Commission budget for the Railroad Track Safety Inspection Program.

Option A: Eliminate the Railroad Track Safety Inspection Program which would save the state \$32,000 general fund per year and eliminate 1.0 FTE.

Option B: Continue the Railroad Track Safety Inspection Program.

DEPARTMENT OF FISH, WILDLIFE AND PARKS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	526.47	\$ -0-	\$65,352,973
LFA Current Level	<u>496.16</u>	<u>-0-</u>	<u>52,023,664</u>
Executive Over (Under) LFA	<u><u>30.31</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$13,329,309</u></u>

The differences between the executive budget and LFA current level primarily are: 1) different vacancy savings factors were applied to personal services which resulted in the executive budget being \$553,219 greater than the LFA current level; 2) the executive current level budget base adjustment results in a 2.09 FTE increase; 3) the executive budget proposes the purchase, insure, and maintenance of a new helicopter which adds \$503,079 for the biennium; 4) the LFA current level does not include 1.50 FTE and \$91,587 for the department's Missouri Basin Water Reservation; 5) the executive budget includes a \$429,597 biennial increase in aircraft rental rates; 6) the executive budget includes \$515,133 for new or expanded consultant services; 7) the LFA current level does not include 0.75 FTE and \$975,000 per year for the Pheasant Enhancement Program; 8) the executive budget has \$470,196 more for equipment than LFA current level; 9) the executive budget has \$1,876,132 more for legislative contract authority than LFA current level; 10) the executive budget includes \$2,486,849 for 1991 biennium bond sales costs; and 11) the executive budget contains 27 budget modifications which total \$1,659,732 in fiscal 1990 and \$1,755,296 in fiscal 1991.

ISSUE 1: VACANCY SAVINGS

A \$553,219 difference between the executive budget and LFA current level is created by the use of different vacancy savings factors. The executive applied a 2 percent vacancy savings factor compared to a 4 percent factor in LFA current level.

ISSUE 2: POSITION DIFFERENCE

There are four separate differences in positions allocated to divisions' budgets with the net result being the executive budget contains 2.09 FTE and \$21,881 less than LFA current level.

The first difference is in the Fisheries Division in which the executive proposes a 0.67 FTE for the Fort Peck Commercial Fish Study. In fiscal 1988, the department allocated 1.00 FTE to the study with a 0.33 of the FTE financed with general license funds and 0.67 of the FTE funded with legislative contract authority (LCA). Because LCA funded positions are not included in the current level, LFA current level does not contain the position. The executive budget contains the position because the executive approved the department request to

reclassify the position as a federally funded position rather than an LCA position. This reclassification added \$26,536 federal funds to the Fisheries Division.

Second, in the Law Enforcement Division, the executive converted 3.00 FTE financed with LCA funds to permanent positions. The LFA did not include the 3.00 FTE but includes the dollars in the non-operating expenses category as part of the LCA. The executive action makes the LCA funding permanent. If there is a permanent source of funding for these positions, a budget modified request should be presented to the legislature for consideration.

The third change is 0.17 FTE in the Administrative Division. It appears that the executive budget made a mistake by adding the 0.17 FTE and \$4,093 for the biennium.

The fourth change is an executive recommendation to reduce 1.75 FTE and \$52,507 for the biennium from the Parks Division budget. The executive reduction was designed to offset the 3.00 FTE increase which the executive is recommending in the Montana Conservation Corps budget modification.

ISSUE 3: NEW HELICOPTER

The executive budget proposes that a new helicopter be purchased in fiscal 1990. The executive budget contains \$350,000 to purchase the helicopter, \$80,000 to insure the craft, and \$73,097 to maintain the craft in the 1991 biennium. The LFA current level does not contain any of the above costs which creates a \$503,097 difference.

ISSUE 4: MISSOURI BASIN WATER RESERVATION

A 1.50 FTE and \$91,587 difference results because the LFA current level does not contain funding for the department to complete Missouri River Water Reservation. The funding for the reservations was removed from LFA current level for consistency in the budgeting process. In previous legislative sessions the funds which finance local governmental units' water reservation applications have been removed from the Department of Natural Resources and Conservation current level budget. The Department of Fish, Wildlife, and Parks water reservation application funds have been removed in the LFA current level to allow the legislature the opportunity to review all the water reservation process.

ISSUE 5: STATE AND PRIVATE AIRCRAFT RENTAL CHARGES

The executive budget includes an increase for state and private aircraft rental of \$429,597, or 56.5 percent over LFA current level. The reasons cited by the department to justify increased aircraft rental rates include: 1) the additional hourly rates to be charged by the department for use of the new helicopter; 2) private rental rates have increased; and 3) a low amount of flight time used in fiscal 1988.

LFA current level was developed using fiscal 1988 expenditures. Also, the expenditures of fiscal 1986 and fiscal 1987 were examined to see if there had been any significant changes in aircraft rental costs. In fiscal 1988, the department expended \$380,000 for aircraft rental, \$360,000 in fiscal 1986, and \$393,000 in

fiscal 1987. The three-year average for aircraft rental costs was \$377,000. Since the LFA current level does not include funding to purchase a new helicopter, the \$380,000 per year in the current level for aircraft rental was considered consistent with past expenditures.

ISSUE 6: CONSULTANT SERVICES INCREASES

In three divisions - Fisheries, Wildlife, and Administration - the executive budget has an additional \$515,133 for consultant services. LFA current level includes funding for those consultant services which were an extension of fiscal 1988 consultant services. Since consulting services are a zero based item, all new or proposed expansions to existing contracts were not included in LFA current level. The executive budget has provided additional funding for new and expanded consultant contracts.

ISSUE 7: PHEASANT ENHANCEMENT PROGRAM

The executive budget includes \$975,000 per year for the Pheasant Enhancement Program. This program was created by the Fiftieth Legislature. In fiscal 1988, the department expended only \$24,117 of the \$975,000 appropriated for the biennium. The LFA current level does not include the program because at present it has failed to develop as intended by the 1987 legislature. This results in a difference of 0.75 FTE and \$975,000 per year.

ISSUE 8: EQUIPMENT INCREASE

The executive budget includes \$470,196 more for equipment than the LFA current level. The LFA current level was developed primarily from an average of equipment costs for fiscal years 1986, 1987, and 1988.

ISSUE 9: LEGISLATIVE CONTRACT AUTHORITY (LCA)

The executive budget has \$1,876,132 more for LCA than is contained in the LFA current level. The LFA current level which contains \$2,271,200 per year was developed from the amounts of LCA authorized by the 1987 legislature. In fiscal 1988, the legislature authorized \$2,348,474 of which \$1,676,524, or 71.4 percent, was expended.

ISSUE 10: CAPITAL OUTLAY PROGRAM

The executive budget proposes a capital outlay program for the 1991 biennium. Included in the program are projects funded by cash and projects funded by bond sale proceeds. Included in the executive budget is \$2,486,849 for costs associated with the bond sale. The executive is proposing that three projects costing \$5,142,800 be financed by bonds. The three projects are: 1) construction of a regional headquarters in Miles City (\$950,000); 2) hatchery construction and improvements at Anaconda, Arlee, and Plevna (\$2,592,800); and 3) improvement to South Sandstone Dam at Plevna (\$1,600,000).

ISSUE 11: BUDGET MODIFICATIONS

The executive budget recommends 27 budget modifications which would add 24.72 FTE in fiscal 1990 and 25.97 in fiscal 1991. The total budget for the 27 modifications is \$1,659,732 in fiscal 1990 and \$1,775,296 in fiscal 1991. Table A details the 27 modifications for fiscal 1990 and 1991 by FTE, the recommended amount of general hunting and fishing revenues to finance the modification, and the total cost of the modifications.

Table A
Department of Fish, Wildlife and Parks
Budget Modification

	- - - - Fiscal 1990 - - - -			- - - - Fiscal 1991 - - - -		
	General License			General License		
	FTE	Acct.	Total	FTE	Acct.	Total
Cost Accounting	0.00	\$ 35,000	\$ 35,000	0.00	\$ -0-	\$ -0-
Vehicle Travel Costs	0.00	-0-	139,560	0.00	-0-	168,378
Expend Block Management	3.30	166,642	166,642	3.30	166,760	166,760
Fishing and Motorboat Access	1.00	9,160	36,641	1.00	9,169	36,675
Microcomputer Support	1.00	23,262	23,262	1.00	23,292	23,292
Missouri Basin Water Reservations	0.00	15,000	60,000	0.00	15,000	60,000
Angler Use and Harvest Survey	1.00	32,623	129,623	1.50	16,505	64,505
Streambank Projects	0.00	10,000	41,000	0.00	10,000	41,000
Irrigation Structures	0.00	5,000	20,000	0.00	5,000	20,000
USFS Cooperation	1.00	10,447	41,615	1.25	12,951	51,582
Miles City Fish Hatchery	0.93	20,424	81,552	0.93	20,435	81,592
Evaluate Fish Population	2.00	24,546	98,124	2.50	27,060	108,086
Fishing and Motorboat Access	0.75	8,770	35,080	0.75	8,787	35,148
Flathead Lake Fishery	0.50	5,380	21,518	0.50	5,385	21,539
Snowmobile Act	0.50	-0-	17,208	0.50	-0-	17,212
Warden in East Missoula/Rock Creek	1.00	34,853	34,853	1.00	34,862	34,862
Impact of Timber Sales/Hunting	0.33	16,608	16,608	0.33	16,625	16,625
Habitat/Timber Sales Planning	0.50	16,063	16,063	0.50	16,107	16,107
Nongame Program	0.60	27,814	27,814	0.60	28,748	28,748
Montana Conservation Corps	3.00	-0-	256,918	3.00	-0-	338,547
Fishing Access Caretaker Services	1.81	-0-	47,854	1.81	-0-	48,410
State Park Road System	0.00	-0-	84,000	0.00	-0-	84,000
Hunter Safety Program	0.00	1,875	7,500	0.00	1,875	7,500
Public Shooting Ranges	0.00	-0-	-0-	0.00	-0-	20,000
Fixed Costs	0.00	32,576	32,576	0.00	31,201	31,201
Regional Support	5.50	138,721	138,721	5.50	133,527	133,527
Fish and Wildlife Enhancement	0.00	50,000	50,000	0.00	100,000	100,000
Total Budget Modifications	24.72 =====	\$684,764 =====	\$1,659,732 =====	25.97 =====	\$683,289 =====	\$1,755,296 =====

The cost accounting budget modification would provide contract services for preparing management system specifications that will enable the agency to track cost information related to expenses of meeting goals and objectives established through the department's planning process. The vehicle travel costs budget

modification is to provide the additional proprietary fund authority to cover the vehicle expenses related to travel which is included in the department's modified level budget requests.

The expand block management budget modification will expand the block management program which is designed to provide an incentive to maintain free public access by assisting landowners in managing recreational demand on their private lands. The fishing and motorboat access budget modification will fund an engineering position to design site developments for motorboat and fishing access sites funded by a portion of the \$1.2 million expansion in Montana's Wallop-Breaux funding. The microcomputer support budget modification would fund 1.00 FTE to provide support for department computer users.

The Missouri River Basin Water Reservations budget modification will allow the department to pay their share of the Department of Natural Resource and Conservation's cost of preparing an environmental impact statement on the water reservations and the DNRC costs of holding contested case hearings and preparing hearing transcripts. It should be noted that as described in Issue 4 funding for the department's water reservations application process has been excluded from the LFA current level.

The angler use and harvest survey budget modification will finance the collection of angler use and harvest information needed to measure success in attaining Fisheries Division project goals.

The streambank projects budget modification will enable contracting for the purpose of representing the department in review of Natural Streambed and Land Preservation Act projects, irrigation diversions, and U.S. Forest Service projects in specific regions.

The irrigation structures budget modification would fund the construction, distribution, and evaluation of alternative irrigation structures which are compatible with fish production and habitat.

The U.S. Forest Service cooperation budget modification is to cooperatively collect fisheries data on or adjacent to national forest lands for the purpose of improved planning and decision making in forest management activities.

The Miles City fish hatchery budget modification is designed to double the number of walleye and northern pike eggs collected and to provide operational funding and personnel to operate the Miles City Hatchery at its designed capacities.

The evaluate fish population budget modification is to evaluate and monitor fish population to develop and assess management plans, set regulations and assess habitat conditions on priority waters, including Flathead Lake, Flathead River, Rock Creek, Blackfoot River, Big Hole River, Beaverhead River, Missouri River, Canyon Ferry Reservoir, Hauser Reservoir, Holter Reservoir, Yellowstone River, Bighorn River, and the Fort Peck Reservoir.

The fishing and motorboat access budget modification is designed to provide assistance needed to administer the fishing access and motorboat access programs. The Flathead Lake fishing budget modification will enable Flathead Lake Kokanee stocking on an experimental basis in response to the declines in survival of naturally spawned fish.

The Snowmobile Act budget modification is to provide the funding and personnel to enforce the registration provisions of the Snowmobile Act. The warden in East Missoula/Rock Creek is to respond to a workload increase resulting from more sporting activities in the area.

The impact of timber sales/hunting budget modification proposes a cooperative project with the USFS and the BPA, to be funded one third by each participating agency, for the purpose of providing personnel to plan timber sales by the forest service in the Lolo National Forest and the BPA powerline access.

The habitat/timber sales planning budget modification would jointly fund a wildlife biologist with the Department of State Lands (DSL) to implement habitat guidelines for state forest lands on timber sales and to continue training DSL employees for timber sale planning which is compatible with wildlife values and concerns.

The non-game program budget modification is to add 0.60 FTE to help promote the non-game tax check off by informing the public of the program benefits and to develop comprehensive regional inventories.

The Montana Conservation Corps budget modification is designed to create a Montana Conservation Corps (MCC) within the Parks Division for the purpose of accomplishing improvements for the state parks system and for other public lands and providing work experience for unemployed or economically disadvantaged youth and adults which will enable them to serve society, learn practical skills, and establish sound work records.

The fishing access caretaker services budget modification will initiate scheduled maintenance of fishing accesses in Regions 1, 3, 4, and 5 which have been acquired and developed without corresponding funding and personnel for operation.

The state parks road system budget modification proposes to redirect approximately one-tenth of 1 percent of the state fuel tax and combine it with available federal Fish, Wildlife, and Parks matching funds for the construction, improvement, and maintenance of those public highways which are within the state park system and connecting thereto.

The hunter safety project budget modification will provide awards/incentives to formally acknowledge and thank volunteer hunter safety instructors for their contributions.

The public shooting ranges budget modification would initiate a pilot grant program with the department providing dollars to assist in the development of ranges in hopes of eliminating increasing pressure on private land owners and providing increased safe shooting opportunities to youth participating in hunter education courses and to the hunting and shooting public.

The fixed costs budget modification is to meet the increased cost of heat, lights, janitorial, and security services in Regions 1, 4, and 5 headquarters.

The regional support budget modification is to provide 5.50 FTE to be used by regional supervisors to assist with special hunting seasons, game damage, block management, license questions, big game auction sales, general public inquiries, and serving license dealers.

The fish and wildlife enhancement budget modification provides matching funds for the federal Bureau of Land Management and U.S. Forest Service challenge grants for fish and wildlife enhancement projects.

DEPARTMENT OF FISH, WILDLIFE, AND PARKS

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	544.64	498.41	496.16	496.16	(48.48)
Personal Services	\$14,200,128	\$13,553,001	\$13,242,561	\$13,264,917	(4.49)
Operating Expenses	8,760,891	10,230,280	8,510,147	8,640,956	(9.69)
Equipment	1,514,588	1,286,191	1,276,179	1,226,365	(10.65)
Total Operating Costs	\$24,475,607	\$25,069,472	\$23,028,887	\$23,132,238	(6.83)
Non-Operating Costs	561,342	6,496,660	3,299,351	2,563,188	(16.94)
Total Expenditures	\$25,036,949 =====	\$31,566,132 =====	\$26,328,238 =====	\$25,695,426 =====	(8.09) =====
<u>Fund Sources</u>					
State Special	\$17,122,951	\$22,160,889	\$16,861,985	\$16,915,663	(14.02)
Federal Revenue	5,996,757	7,058,088	7,442,601	6,745,365	8.68
Proprietary	1,917,241	2,347,155	2,023,652	2,034,398	(4.84)
Total Funds	\$25,036,949 =====	\$31,566,132 =====	\$26,328,238 =====	\$25,695,426 =====	(8.09) =====

Program Description

The Department of Fish, Wildlife, and Parks is responsible for the preservation and protection of all forms of Montana's wildlife, their habitat, and the natural and cultural resources of aesthetic, scenic, historic, scientific, and archaeological significance.

The department consists of eight divisions: Management Services, Field Services, Fisheries, Law Enforcement, Wildlife, Recreation and Parks, Conservation Education, and Administration.

In fiscal 1988, the director of the Department of Fish, Wildlife, and Parks reorganized some of the responsibilities and personnel in three of the department's eight divisions. From Management Services, the director transferred the licensing function with 15.18 FTE and \$1,077,800 to the Field Services Division. From the Administration Division, the legal functions with 6.00 FTE and \$223,600 were transferred to Management Services. From the Field Services Division, the personnel function with 1.50 FTE and \$45,500 was transferred to Management Services Division. Also from Field Services Division, 23.38 FTE and \$958,311 were transferred to Administration Division. The 23.38 FTE reflect the regional administrative positions. Table 1 details the reorganization of the departments.

Table 1
Department of Fish, Wildlife, and Parks Reorganization

Function	Management Services Division	Field Service Division	Administration Division
Legal Function	6.00	0.00	(6.00)
Personnel Function	1.50	(1.50)	0.00
Licensing Functions	(15.18)	15.18	0.00
Regional Administration	0.00	(23.38)	23.38
Net Change	<u>=(7.68)</u>	<u>=(9.70)</u>	<u>17.38</u>

The 48.48 FTE reduction between fiscal 1988 and fiscal 1990 reflects the following changes. First, 46.23 FTE are excluded from current level because they are Legislative Contract Authority (LCA) positions. LCA is appropriation authority to expend federal grants as they are received. Because the Department of Fish, Wildlife, and Parks receives numerous federal grants during a fiscal year, the legislature in appropriating LCA, is giving the department the authorization to expend federal grants without having to go through the budget amendment process. Second, 1.50 FTE for developing the department's water reservations on the Missouri River have been excluded from current level. Third, 0.75 FTE for the Pheasant Enhancement Program has been excluded from the current level. All of these FTE adjustments are also reflected in the 4.49 percent decrease in personal services.

The 9.69 percent decrease in operating expenses primarily reflects the fiscal 1989 appropriation of \$962,348 for the Pheasant Enhancement Program which is not being included in the 1991 biennium current level.

The 16.94 percent reduction in non-operating expenses reflects the following. First, in fiscal 1988 the legislative contract authority which was appropriated as non-operating was expended as personal services and operating expenses. The current level includes the legislative contract authority as non-operating. Second, the fiscal 1989 appropriations include \$3,540,000 of wildlife habitat funds which are not included in the current level. The wildlife habitat funds will appear in the department's capital outlay budget. Third, fiscal 1990 current level includes \$700,000 of federal funds which, if received, will be passed through to local governmental units.

In the following analysis of the department's divisions, actual fiscal 1988 expenditures and fiscal 1989 appropriations include the expenditure changes created by the reorganization.

Revenue

The Department of Fish, Wildlife, and Parks is financed by a number of state special revenue accounts and federal funds. The general license special revenue account, which receives most of its income from fishing and hunting licenses, finances 80.9 percent of the department's nonfederal expenses. Table 2 details the general license account for fiscal 1989 and the 1991 biennium.

Table 2
Fish, Wildlife, and Parks License Account
Department of Fish, Wildlife, and Parks
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Fund Balance	\$ 7,601,035	\$ 4,445,557	\$ 4,614,708
Projected License Income	<u>15,075,300</u>	<u>14,940,850</u>	<u>14,797,100</u>
Total Funds Available	\$22,676,335	\$19,386,407	\$19,411,808
<u>Disbursements</u>			
FW and P Operations	\$14,345,116	\$13,710,281	\$13,837,917
Bond Payments (Lic. Act)	520,349	886,799	626,800
Legislative Audit	24,917	47,042	-0-
Capital Projects	<u>3,340,396</u>	<u>127,577</u>	<u>382,731</u>
Total Disbursements	<u>\$18,230,778</u>	<u>\$14,771,699</u>	<u>\$14,847,448</u>
Ending Fund Balance	<u>\$ 4,445,557</u>	<u>\$ 4,614,708</u>	<u>\$ 4,564,360</u>

MANAGEMENT SERVICES

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	39.60	39.60	40.20	40.20	0.60
Personal Services	\$ 886,815	\$ 964,479	\$ 990,240	\$ 992,715	7.11
Operating Expenses	1,234,510	1,671,425	1,584,061	1,557,652	8.11
Equipment	622,471	761,389	630,201	608,499	(10.49)
Total Operating Costs	\$2,743,796	\$3,397,293	\$3,204,502	\$3,158,866	3.62
Non-Operating Costs	118,327	34,401	213,651	176,020	155.14
Total Expenditures	<u>\$2,862,123</u>	<u>\$3,431,694</u>	<u>\$3,418,153</u>	<u>\$3,334,886</u>	<u>7.30</u>
Fund Sources					
State Special	\$1,003,641	\$1,120,297	\$1,412,946	\$1,308,656	28.14
Federal Revenue	290,590	349,771	443,440	429,593	36.33
Proprietary	1,567,892	1,961,626	1,561,767	1,596,637	(10.51)
Total Funds	<u>\$2,862,123</u>	<u>\$3,431,694</u>	<u>\$3,418,153</u>	<u>\$3,334,886</u>	<u>7.30</u>

Program Description

The Management Services Division is an administrative and support unit. The division is responsible for budgeting, property accounting, deposition of funds, personnel, payment of vendor invoices, payroll, and monitoring the finances of the department's vehicle fleet and warehouse operations. Also included within the division is the legal unit of the department.

Budget

The 0.60 FTE increase reflects two changes. First, a 1.00 FTE managerial position was transferred in from the Administration Division. Second, 0.40 FTE was transferred to the Administration Division.

The \$103,425 increase in personal services between fiscal 1988 expenditures and fiscal 1990 current level reflects: 1) \$40,600 for three positions which were vacant a portion of fiscal 1988 but are now filled; 2) \$3,000 for a position upgraded from a grade 16 to a grade 17; 3) \$29,100 for three positions which were vacant a portion of fiscal 1988 and have yet to be filled; and 4) \$33,000 for a personnel manager position created by other divisions transferring a portion of FTE to this division. The partial positions in the other divisional budgets are not included in the current level. A 4 percent vacancy savings factor has been applied to the budget.

The \$349,551 increase in operating expenses reflects: 1) a \$234,166 increase in insurance costs in fiscal 1990 and a \$247,940 increase in fiscal 1991; 2) a \$20,405 increase for biennial legislative audit costs; 3) a \$11,398 per year

increase for SBAS on-line entry costs; 4) a \$7,600 per year increase for data processing supplies; 5) a \$5,625 per year increase for building and grounds maintenance; 6) a \$34,980 increase in fiscal 1990 and \$31,970 in fiscal 1991 for statewide indirect costs; and 7) a \$6,900 increase in fiscal 1990 and \$7,100 in fiscal 1991 for building rent. The statewide indirect costs are financed with federal funds.

The equipment current level budget is as the agency requested. Major proposed equipment expenditures include: 1) \$583,425 in fiscal 1990 and \$523,764 in fiscal 1991 for vehicles; 2) \$82,000 in 1991 for aircraft engine overhauls; and 3) \$46,776 in fiscal 1990 and \$2,735 in fiscal 1991 for computer equipment.

The non-operating budget reflects two changes. First, a \$45,324 increase in fiscal 1990 and a \$7,693 increase in fiscal 1991 for increased costs related to the acquisition of replacement vehicles. During the useful life of a department vehicle, the department can only recover the original cost of the vehicle. When it comes time to replace the vehicle, the department is short the difference between the price of a new vehicle and the original price of the vehicle being replaced. Therefore, the non-operating appropriation is license funds appropriated to the Vehicle Property Account to make up the vehicle purchase price difference.

Second, the current level includes \$50,000 per year of Legislative Contract Authority (LCA).

Funding

The funding of the Management Services Division is detailed in Table 3.

Table 3
Management Services Division Current Level Funding

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
State Special Revenues		
Snowmobile Fuel Tax	\$ 63,750	\$ 63,749
Coal Tax Trust Fund	169,747	167,547
Hunting and Fishing Licenses	971,399	885,750
State Parks Miscellaneous	73,350	56,910
Motorboat Fuel Tax	114,750	114,750
Motorboat Certificate	12,000	12,000
Snowmobile Registration	<u>7,950</u>	<u>7,950</u>
Subtotal State Special Revenue	\$1,412,946	\$1,308,656
Federal Funds	\$ 443,440	\$ 429,593
Proprietary Funds		
Equipment Fund	\$1,334,345	\$1,369,789
Warehouse Inventory	<u>227,422</u>	<u>226,848</u>
Subtotal Proprietary Funds	<u>\$1,561,767</u>	<u>\$1,596,637</u>
Total Funding	<u>\$3,418,153</u>	<u>\$3,334,886</u>

FIELD SERVICES DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	39.14	38.01	40.11	40.11	0.97
Personal Services	\$ 982,481	\$ 974,907	\$1,017,391	\$1,021,604	4.17
Operating Expenses	1,254,047	1,149,596	1,306,455	1,325,800	9.51
Equipment	195,143	55,500	72,858	72,858	(41.86)
Total Operating Expenses	\$2,431,671	\$2,180,003	\$2,396,704	\$2,420,262	4.45
Non-Operating Expenses	684	1,688	3,000	3,000	152.95
Total Expenditures	\$2,432,355 =====	\$2,181,691 =====	\$2,399,704 =====	\$2,423,262 =====	4.53 =====
<u>Fund Sources</u>					
State Special	\$2,168,981	\$1,987,877	\$2,066,741	\$2,111,585	0.52
Federal Revenue	164,341	73,754	214,256	211,254	78.71
Proprietary	99,033	120,060	118,707	100,423	0.02
Total Funds	\$2,432,355 =====	\$2,181,691 =====	\$2,399,704 =====	\$2,423,262 =====	4.53 =====

Program Description

The Field Services Division is responsible for the following five functions: 1) licensing; 2) design and construction of department facilities; 3) aircraft usage; 4) data processing; and 5) land owner sportsman relations.

Budget

The 0.97 FTE increase from fiscal 1988 to fiscal 1990 reflects: 1) 0.32 FTE transferred from Parks Division; 2) a 0.50 FTE secretarial position transferred from Fisheries Division; and 3) 0.15 FTE transferred from Conservation Education. A 4 percent vacancy savings factor has been applied to the current level.

The \$52,408 increase in operating expenses between fiscal 1988 and fiscal 1990 and the \$71,753 increase in fiscal 1991 reflect: 1) the \$35,000 per year consolidation of appraiser fees which previously were financed in other divisions; 2) a \$17,348 increase in property taxes in fiscal 1990 and a \$30,298 increase in fiscal 1991; and 3) other inflationary and minor adjustments. In 1987 the legislature, in House Bill 526, provided additional funding for wildlife habitat. The increase in taxes corresponds to new land acquisitions planned in fiscal 1989 and fiscal 1990.

The current level equipment appropriations are the average of fiscal 1986 and 1987 equipment expenditures and the 1988 equipment appropriation.

The non-operating current level reflects funding for the livestock loss reimbursement program. The livestock loss reimbursement program was created to compensate landowners for livestock shot during the general hunting season.

Funding

The funding of the Field Services Division is detailed in Table 4.

Table 4
Field Services Division Current Level Funding

	Fiscal 1990	Fiscal 1991
State Special Revenues		
Coal Tax Trust Fund	\$ 80,180	\$ 81,722
Hunting and Fishing Licenses	1,969,211	1,999,563
Real Estate Trust Earning	17,350	30,300
Federal Funds	214,256	211,254
Proprietary Funds		
Print Shop	118,707	100,423
Total	<u>\$2,399,704</u>	<u>\$2,423,262</u>

FISHERIES DIVISION

Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	127.38	100.49	98.09	98.09	(29.29)
Personal Services	\$3,231,043	\$2,678,414	\$2,621,868	\$2,633,484	(11.07)
Operating Expenses	1,326,128	1,182,595	1,105,641	1,096,038	(12.24)
Equipment	166,417	103,670	127,827	127,827	(5.34)
Total Operating Expenses	\$4,723,588	\$3,964,679	\$3,855,336	\$3,857,349	(11.23)
Non-Operating Expenses	75,203	938,500	938,500	938,500	85.16
Total Expenditures	<u>\$4,798,791</u>	<u>\$4,903,179</u>	<u>\$4,793,836</u>	<u>\$4,795,849</u>	<u>(1.16)</u>
Fund Sources					
State Special	\$2,764,995	\$2,782,335	\$2,657,953	\$2,683,854	(3.70)
Federal Revenue	2,033,796	2,120,844	2,135,883	2,111,995	2.24
Total Funds	<u>\$4,798,791</u>	<u>\$4,903,179</u>	<u>\$4,793,836</u>	<u>\$4,795,849</u>	<u>(1.16)</u>

Program Description

The Fisheries Division is responsible for the management of Montana's fisheries resources to provide optimum sport fishing. Management strategies attempt to maintain an efficient fish culture program consistent with state needs; to preserve, restore, and improve fish habitat; to maintain optimum population of desirable fish in state waters; to provide workable fishing regulations to distribute fish equitably; to promote, where practical, commercial utilization of non-sport fish; and to provide and maintain the best possible recreational fishing.

Budget

The 29.29 FTE reduction reflects the following changes. First, included in actual fiscal 1988 were 27.14 FTE created with Legislative Contract Authority appropriation that are not included in the current level. Second, a 0.50 secretarial position is transferred to the Field Services Division. Third, 0.40 FTE was transferred to the Administration Division. Fourth, a 0.25 FTE appropriated in fiscal 1989 is included in the current level. Fifth, 1.50 FTE appropriated to develop the department's Missouri River Water Reservation have not been included in the current level.

Personal Services appears to be reduced by 11.07 percent. The reduction is caused by actual fiscal 1988 expenditures that include Legislative Contract Authority (LCA) expenditures. With the LCA expenditures removed from the personal services in "Actual Fiscal 1988," the expenditures for personal services are \$2,662,872. Using \$2,662,872 of actual expenditures in fiscal 1988, the percentage change between bienniums would be a 1.61 percent decrease. This decrease results from the elimination of 1.50 FTE for the Missouri River Reservation process. A 4 percent vacancy savings factor has been applied to the current level.

As was the case with personal services, the percentage change in operating expenses is inflated because "Actual Fiscal 1988" includes LCA expenditures. In fiscal 1988, the adjusted operating expenses (minus LCA) is \$1,123,056. Therefore, the percentage change between bienniums using the adjusted actual fiscal 1988 expenditures would be a 4.51 percent decrease. There are two major factors which cause the operating expenses to be reduced. First, \$46,300 of operating expenses for the Missouri River Reservation process have been removed. Second, \$12,000 of consulting services were not included in the current level. The consulting services which were removed from the base were those which were not requested to be continued in the 1991 biennium. Offsetting the reductions are approximately \$37,000 of inflationary increases.

The current level equipment of \$127,827 per year was determined using an average of fiscal years 1986, 1987, and 1988 actual expenditures.

The non-operating current level includes \$920,000 per year of Legislative Contract Authority (LCA). The non-operating line also includes \$18,500 per year for a grant to the Cooperative Fisheries Unit at Montana State University. The grant is used to purchase supplies and equipment, other operating expenses, and stipends for graduate students working on thesis projects approved by the department.

Funding

The Fisheries Division is financed by hunting and fishing license fees and federal funds.

LAW ENFORCEMENT DIVISION					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	91.94	88.67	88.27	88.27	(3.67)
Personal Services	\$2,830,610	\$2,790,328	\$2,691,895	\$2,703,299	(4.02)
Operating Expenses	880,223	873,449	834,908	890,177	(1.63)
Equipment	<u>157,748</u>	<u>55,789</u>	<u>64,954</u>	<u>64,954</u>	<u>(39.16)</u>
Total Operating Expenses	\$3,868,581	\$3,719,566	\$3,591,757	\$3,658,430	(4.45)
Non-Operating Expenses	<u>4,739</u>	<u>138,790</u>	<u>71,200</u>	<u>72,668</u>	<u>(0.24)</u>
Total Expenditures	<u>\$3,873,320</u>	<u>\$3,858,356</u>	<u>\$3,662,957</u>	<u>\$3,731,098</u>	<u>(4.37)</u>
<u>Fund Sources</u>					
State Special	\$3,653,201	\$3,703,724	\$3,484,678	\$3,540,723	(4.51)
Federal Revenue	<u>220,119</u>	<u>154,632</u>	<u>178,279</u>	<u>190,375</u>	<u>(1.63)</u>
Total Funds	<u>\$3,873,320</u>	<u>\$3,858,356</u>	<u>\$3,662,957</u>	<u>\$3,731,098</u>	<u>(4.37)</u>

Program Description

The Law Enforcement Division is responsible for protecting fish and wildlife and their habitat and for protecting recreation, historic, and archaeological sites from willful or negligent destruction. Management duties include administration of special purpose licenses, assisting landowners in alleviating wildlife damage, and conservation officer training.

Budget

The 3.67 FTE reduction reflects a transfer of 0.40 FTE to the Administration Division and the elimination of 3.27 FTE which were financed with LCA in fiscal 1988. All LCA expenditures have been removed from the current level.

Personal Services appears to be reduced by 4.02 percent. The reduction is caused by LCA expenditures being included in "Actual Fiscal 1988" expenditures. With the LCA expenditures removed from actual fiscal 1988 personal services, the adjusted personal services expenditure would be \$2,771,086. Using the adjusted personal services, the percentage change between bienniums is (2.99) percent. A 4 percent vacancy savings factor has been applied to the current level.

As was the case with personal services, the percentage change in operating expenses is inflated because actual fiscal 1988 expenditures include LCA expenditures. In fiscal 1988, the adjusted operating expenses (minus LCA) were \$796,506. Therefore, the percentage change between bienniums was a 3.30 percent increase. The 3.30 percent increase in operating expenses was caused primarily by inflationary increases. For example, in fiscal 1990, in-state motor pool costs increase by \$37,847 over fiscal 1988 actual expenditure, and fiscal 1991 increases by \$54,019 over fiscal 1990. The increases in in-state motor pool costs do not include funding for law enforcement officials to travel additional miles, but rather represents increased costs per mile.

The current level equipment was determined using a three-year average. The three years used to determine the average were fiscal 1986, 1987, and 1988. The current level for equipment is \$64,954 per year.

The non-operating current level includes \$71,200 in fiscal 1990 and \$72,668 in fiscal 1991 of LCA.

Funding

The Law Enforcement Division is funded by a number of state special revenue accounts and federal funds. Table 5 details the various funding sources included in the current level.

Table 5
Law Enforcement Division's Current Level Funding

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
State Special Revenues		
Coal Tax Trust	\$ 29,465	\$ 30,570
Hunting and Fishing License	3,228,489	3,277,084
State Parks Income	47,024	48,600
Motorboat Fuel Tax	78,946	81,908
Motorboat Registration	84,986	86,510
Snowmobile Registration	<u>15,768</u>	<u>16,051</u>
Subtotal State Special Revenues	\$3,484,678	\$3,540,723
Federal Funds	<u>178,279</u>	<u>190,375</u>
Total Funding	<u>\$3,662,957</u>	<u>\$3,731,098</u>

WILDLIFE					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>- - - Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	110.28	95.24	93.94	93.94	(16.34)
Personal Services	\$2,955,172	\$ 2,751,651	\$2,643,943	\$2,656,279	(7.12)
Operating Expenses	1,953,347	3,000,327	1,562,447	1,608,645	(35.99)
Equipment	129,212	120,721	91,885	91,885	(26.47)
Total Operating Expenses	\$5,037,731	\$ 5,872,699	\$4,298,275	\$4,356,809	(20.67)
Non-Operating Expenses	8,626	4,739,370	1,175,000	1,175,000	(50.51)
Total Expenditures	\$5,046,357 =====	\$10,612,069 =====	\$5,473,275 =====	\$5,531,809 =====	(29.72) =====
<u>Fund Sources</u>					
State Special	\$2,410,758	\$ 7,190,178	\$2,277,386	\$2,295,057	(52.38)
Federal Revenue	2,635,599	3,421,891	3,195,889	3,236,752	6.19
Total Funds	\$5,046,357 =====	\$10,612,069 =====	\$5,473,275 =====	\$5,531,809 =====	(29.72) =====
 <u>ISSUES</u>					
	<u>- - - - Fiscal 1990 - - - -</u>		<u>- - - - Fiscal 1991 - - - -</u>		
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Continued Funding of New Wildlife Projects					
Option A:	\$ -0-	\$126,152	\$ -0-	\$126,152	
Option B:	-0-	115,439	-0-	115,439	
Option C:	-0-	-0-	-0-	110,210	
Option D:	-0-	241,590	-0-	351,801	
Option E:	-0-	-0-	-0-	-0-	

Program Description

The Wildlife Division is responsible for the department's survey, inventory, and research of the state's wildlife resource and its habitat. The division operates and maintains the department's wildlife management areas in the state, which total approximately 300,000 acres. The goal of the Wildlife Division is to protect, perpetuate, enhance, and regulate the use of the wildlife resource for public benefit.

Budget

The expenditures for fiscal 1988 as shown in the main table include \$628,224 of the LCA expenditures. Table 6 removes the LCA expenditures from fiscal 1988 actual to calculate fiscal 1988 adjusted. Also, detailed in Table 6 is the fiscal 1990 current level and the percentage change between fiscal 1988 adjusted and fiscal 1990 current level. The current level changes will be made from fiscal 1988 adjusted.

Table 6
Adjustment to Fiscal 1988 Expenditures

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Fiscal 1988 LCA</u>	<u>Adjusted Fiscal 1988</u>	<u>Current Level 1990*</u>	<u>Percent Change FY88-90</u>
FTE	110.28	15.04	95.24	93.94	(1.3)
Personal Services	\$2,955,172	\$325,063	\$2,630,109	\$2,643,943	0.53
Operating Expenses	1,953,347	263,268	1,690,079	1,562,447	(7.55)
Equipment	129,212	39,695	89,517	91,885	2.65
Total Operating Costs	\$5,037,731	\$628,026	\$4,409,705	\$4,298,275	(2.53)
Non-Operating Costs	8,626	-0-	8,626	10,000	15.93
Total Expenditures	\$5,046,357 =====	\$628,026 =====	\$4,418,331 =====	\$4,308,275 =====	(2.49) =====
<u>Fund Sources</u>					
State Special	\$2,410,758	\$ -0-	\$2,410,758	\$2,277,386	(5.53)
Federal and Other	2,635,599	628,026	2,007,573	2,030,889	1.16
Total	\$5,046,357 =====	\$628,026 =====	\$4,418,331 =====	\$4,308,275 =====	(2.49) =====

* Does not include \$1,165,000 of federally funded LCA.

The 1.30 FTE reduction from fiscal 1988 adjusted reflects the following: 1) 0.25 FTE secretarial position transferred to the Field Services Division; 2) 0.40 FTE transferred to Administration Division; 3) 0.10 FTE data analysis position transferred from Parks Division to Wildlife Division; and 4) 0.75 FTE which administers the Pheasant Enhancement Program has not been included in the current level. The 0.75 FTE was removed from the current level so the legislature can review the entire Pheasant Enhancement Program and determine how the program will be structured in the 1991 biennium. A 4.0 percent vacancy savings factor has been applied to the current level.

From the adjusted base, operating expenses are reduced \$127,632 in the current level. The reduction reflects the following changes. First, appraisal fees have been reduced by \$53,000 per year because appraisal fees have been centralized in the Field Services Division, and because some fiscal 1988 charges against the appraisal fees expenditure code were miscoded. Second, in-state travel is increased by \$28,700, which reflects inflationary increases. Third, consulting services are reduced by \$10,000 per year which reflects a reduction in the Mt. Haggin timber contract. Fourth, the timber slash removal contract for Mt. Haggin has been eliminated per the department's request. This reduced the current level by \$60,000 per year. Fifth, the current level includes a \$5,000 per year increase for noxious weed control. Sixth, computer costs are reduced by \$12,300 per year. Seventh, inflation increased the current level by approximately \$32,000 in fiscal 1990.

The \$45,123 operating expenses increase between fiscal 1990 and fiscal 1991 is completely caused by inflation.

The current level equipment was determined using a three-year average. The three years used to determine the average were fiscal 1986, 1987, and 1988. The current level for equipment is \$91,885 per year.

The non-operating line item includes \$1,165,000 of legislative contract authority in fiscal 1990 and \$1,165,000 in fiscal 1991. Also included in the non-operating line item is \$10,000 per year for graduate student research projects. In fiscal 1988, the division expended \$8,626 on graduate student research. The fiscal 1989 appropriation includes \$3,540,000 for wildlife habitat, which is not included in the current level. The 1991 biennial appropriation for wildlife habitat will be included in the capital outlay bill.

Funding

The Wildlife Division is funded primarily with hunting and fishing license fees and federal funds. However, there are some specialized wildlife programs which are financed with earmarked state special revenues. Table 7 details the funding of the Wildlife Division.

Table 7
Wildlife Division Current Level Funding

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
State Special Revenues		
Nongame Wildlife	\$ 8,080	\$ 8,080
Waterfowl Stamp	28,592	28,592
Mountain Sheep	20,245	20,245
Moose Auction	9,262	9,262
Hunting and Fishing License	2,211,207	2,228,878
Federal Funds	<u>3,195,889</u>	<u>3,236,752</u>
 Total Funding	 <u>\$5,473,275</u>	 <u>\$5,531,809</u>

ISSUE 1: CONTINUED FUNDING ON NEW WILDLIFE PROJECTS

In the current level analysis the Wildlife Division's budget was analyzed from a line-item perspective. The division's budget can also be analyzed from a project perspective. A project is an allotment of funds and personnel to accomplish specifically defined tasks. The \$5,046,300 which the division expended in fiscal 1988 can be separated into 229 projects. Table 8 lists the 229 projects with 213 projects listed in groups and 16 projects which didn't relate to any particular group listed separately.

Table 8
Wildlife Project Groups and Individual Project Expenditures

<u>Groups of Projects</u>	<u>Number of Projects</u>	<u>Fiscal 1988 Expenditure</u>
Deer	30	\$ 844,700
Elk	18	843,500
Legislative Contract Authority	38	628,000
Wildlife Management Areas	10	406,800
Regional Administration	8	403,000
Division Administration	2	440,500
Waterfowl/Migratory Birds	13	200,600
Grizzly Bear	8	152,600
Antelope	8	114,300
Furbearers	10	100,900
Upland Game Birds	11	87,500
Non-game	9	76,800
Sheep	13	49,800
Black Bear	7	30,500
Landowner Co-op	3	27,900
Moose	7	24,200
Weed Control	7	20,500
Goats	5	19,600
Mountain Lion	6	17,300
Subtotal Project Groups	213	\$4,489,000
<u>16 Individual Projects</u>		
Harvest Surveys	1	\$ 174,800
Mt. Haggin Timber Consultant	1	78,000
Wildlife Laboratory	1	59,800
Hunters' Maps	1	55,300
Bio-Economic Surveys	1	36,500
Research Statewide	1	32,500
Pheasant Enhancement Habitat	1	24,600
Oil and Gas Coordinator	1	22,900
NW Power Act Mitigation Coor.	1	22,500
Deer/Elk/Antelope - Modification	1	21,400
Chisel Plowing Evaluation	1	12,200
Coal Coordinator	1	7,200
Mule/Whitetail/Antelope Dist./Density	1	4,000
Rocky Mountain Front Study	1	3,600
Endangered Species	1	1,900
Small Other	1	100
Subtotal Individual Projects		\$ 557,300
TOTAL PROJECTS	<u>229</u>	<u>\$5,046,300</u>

Projects can be categorized into two types, continuous and one-time projects. An example of continuous projects would be the projects to monitor animal numbers for the setting of harvest quotas. Every year the regional wildlife biologists monitor the numbers of animals within hunting regions to determine the number and types of animals that can be harvested from each region.

An example of a one-time project is a \$46,900 appropriation for a biennial study to determine the statewide effects of archery hunting on elk. The study as approved by the legislature in 1987 was a two-year study to be concluded at the end of fiscal 1989. The project is one of the 18 projects listed as "Elk" projects on Table 8.

It has been the budgeting practice in past bienniums for the division's budget to be based upon prior year expenditures of continuous and one-time projects. The use of expenditures from one-time projects allows the division to initiate new projects or expand existing projects without bringing the new or expanded projects to the legislature's attention. For example, the division's 1991 biennial current level includes \$27,228 of expenditures from the one-time archery study. The budget presentation material does not elaborate on which projects receive the \$27,228 of reprogrammed funds, but the expenditures are part of the 1991 current level.

This type of budgeting practice eliminates the legislature's opportunity to evaluate and prioritize all of the new one-time or expanded projects of the division. Some of the expanded and new one-time projects are presented to the legislature in the form of budget modifications. Those budget modifications which the legislature judges to be necessary are included in the appropriations bill. But other divisional projects financed with reprogrammed funds are not evaluated by the legislature.

The result of this type of budgeting practice is that the legislature's flexibility to evaluate, prioritize, and finance the division's projects has been diminished. The legislature has not been shown all of the available financial options when making budgetary decisions.

To allow the legislature greater flexibility in evaluating the 1991 biennial budget a list of seven new projects initiated in fiscal 1989 has been compiled. These projects were not included in budget modifications approved by the legislature but rather represent reprogramming of funds. The seven new projects are budgeted at \$126,152 in fiscal 1989 and consist of \$85,826 state special revenue funds and \$40,326 federal funds. The projects are listed on Table 9. Also listed on Table 9 are eight one-time projects which terminate at the end of fiscal 1989 and seven projects which terminate at the end of fiscal 1990. The fiscal 1988 expenditures for these projects are included in the division's current level even though these projects terminate before or during the 1991 biennium.

Table 9
Wildlife Division Projects Which Either Began in Fiscal 1989,
Will Terminate at the End of Fiscal 1989, or
Will Terminate at the End of Fiscal 1990

<u>New Projects in Fiscal 1989</u>	- - - - - Funding - - - - -	
	<u>State Funds</u>	<u>Federal Funds</u>
Region 1 Moose Monitoring	\$ 5,000	\$ -0-
South Fork Grizzly Bear Study	10,741	-0-
Noxious Weeds in Big Game Diets	14,410	-0-
Mule Deer Research	13,442	40,326
Cabinet Mountain Fisher Transplant	14,955	-0-
Western Beaver Ecology Study	12,718	-0-
Northwest Otter Study	<u>14,560</u>	<u>-0-</u>
Subtotal New Projects	<u>\$ 85,826</u>	<u>\$40,326</u>
<u>Projects Terminating in Fiscal 1989</u>		
Mule Deer Harvest Rate Evaluation	\$ 2,608	\$ 7,823
Elk Harvest Rate Evaluation	2,005	15,015
Red Rocks Moose Study	2,000	-0-
Lone Pine Mule Deer	1,750	5,250
Little Belt Elk	2,500	7,500
Rocky Mountain Front Grizzly	25,165	-0-
Custer National Forest IPA Position	6,181	18,542
Elk Archery Impact Evaluation	<u>4,775</u>	<u>14,325</u>
Subtotal	<u>\$ 46,984</u>	<u>\$68,455</u>
<u>Projects Terminating in Fiscal 1990</u>		
Mt. Haggin Timber Consultant	\$ 70,000	\$ -0-
Taylor-Hilgard Bighorn Sheep Study	2,000	-0-
Sweetgrass Hills Evaluation	2,250	-0-
Hunting Districts 441 & 442 Eval.	600	1,800
Mule Deer All. Rate of Harvest	2,000	6,000
Chisel Plowing Evaluation	12,060	-0-
Pesticide Testing - Waterfowl	<u>13,500</u>	<u>-0-</u>
Subtotal	<u>\$102,410</u>	<u>\$ 7,800</u>

The legislature does not have to accept the automatic reprogramming of funds. All or some of the eight new projects listed on Table 9 could be removed from the current level. Likewise, the funds reprogrammed from fiscal 1989 and fiscal 1990 expenditures could be removed from the current level.

If the legislature does remove any of the new projects or reprogrammed funds, then the legislature's flexibility to finance budget modifications or postpone hunting and fishing fee increases is enhanced.

- Option A: Eliminate some or all of the new projects started in fiscal 1989. The current level could be reduced by \$85,826 state funds and \$40,326 federal funds in both fiscal years of the biennium if all projects are eliminated.
- Option B: Eliminate the funding in the 1991 biennium of projects which terminate at the end of fiscal 1989. If all of the funds of projects which terminate at the end of fiscal 1989 are eliminated from the current level, the current level would be reduced by \$46,984 per year state funds and \$68,455 federal funds.
- Option C: Eliminate the funding in fiscal 1991 of projects which terminate at the end of fiscal 1990. If all of the funds of projects which terminate at the end of fiscal 1990 are eliminated from the current level, the current level would be reduced by \$102,410 state funds and \$7,800 federal funds in fiscal 1991.
- Option D: Combine all of the previous three options which, if all three are used, would reduce the current level by \$132,810 state funds and \$108,780 federal funds in fiscal 1990, and \$235,220 state funds and \$116,581 federal funds in fiscal 1991.
- Option E: Maintain the present current level.

PARKS AND RECREATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	83.87	83.87	81.37	81.37	(2.50)
Personal Services	\$1,661,750	\$1,748,946	\$1,649,565	\$1,623,398	(4.04)
Operating Expenses	1,117,651	1,284,219	1,125,183	1,150,337	(5.26)
Equipment	<u>191,884</u>	<u>164,590</u>	<u>239,254</u>	<u>230,742</u>	<u>31.85</u>
Total Operating Expenses	\$2,971,285	\$3,197,755	\$3,014,002	\$3,004,477	(2.44)
Non-Operating Expenses	<u>188,894</u>	<u>445,000</u>	<u>708,000</u>	<u>8,000</u>	<u>12.95</u>
Total Expenditures	<u>\$3,160,179</u>	<u>\$3,642,755</u>	<u>\$3,722,002</u>	<u>\$3,012,477</u>	<u>(1.01)</u>
<u>Fund Sources</u>					
State Special	\$2,720,969	\$2,932,286	\$2,635,876	\$2,632,190	(6.81)
Federal Revenue	188,894	445,000	742,948	42,949	23.98
Other	<u>250,316</u>	<u>265,469</u>	<u>343,178</u>	<u>337,338</u>	<u>31.94</u>
Total Funds	<u>\$3,160,179</u>	<u>\$3,642,755</u>	<u>\$3,722,002</u>	<u>\$3,012,477</u>	<u>(1.01)</u>

Program Description

The Recreation and Parks Division is responsible for the operation and maintenance of the state park system, including state parks, recreation areas, monuments, recreational waterways, recreational ponds, and fishing access sites. The division is also responsible for conservation of the scenic, historic, archaeological, scientific, and recreational resources of the state; the administration of the federal land and water conservation fund in Montana; the administration of snowmobile recreation in Montana, by providing maintenance and installation of snowmobile facilities; and maintenance of the capitol complex grounds.

Budget

The reduction of 2.50 FTE reflects the following changes. First, a 0.84 FTE laborer and a 0.25 FTE grounds keeper were transferred to the Field Services Division. Second, a 0.40 FTE was transferred to the Administration Division. Third, 0.10 FTE data analyst was transferred to the Wildlife Division. Fourth, a 0.75 FTE regional assistant was transferred to the Administration Division. Fifth, a 0.16 FTE was transferred to the Field Services Division to operate the Land Inventory System.

The decrease in personal services results primarily from the 2.50 FTE transferred out of the Parks Division. A 4 percent vacancy savings factor has been applied to the current level.

Operating expenses increase \$7,532 from fiscal 1988 to fiscal 1990. The \$7,532 increase represents the following changes. First, consulting services are reduced \$38,506 per year and the reduction reflects the elimination of one-time consultant services. Second, inflation has increased in-state travel by \$12,500 in fiscal 1990 and \$30,200 in fiscal 1991. Third, \$19,200 of utilities and water costs for capitol ground maintenance are being transferred from the Department of Administration to the Parks Division. Added to the \$19,200, which was transferred, is \$10,300 in fiscal 1990 and \$12,100 in fiscal 1991 for the projected increase in City of Helena water rates.

The current level equipment is \$239,254 in fiscal 1990 and \$230,742 in fiscal 1991. Table 10 lists the major equipment included in current level for fiscal 1990 and 1991.

Table 10
Parks and Recreation
1991 Biennium Current Level Equipment

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Snowmobile Trail Grooming Equipment	\$139,791	\$148,447
Dump Trucks (3)	21,000	44,000
Heavy Duty Mowers (3)	11,340	15,400
Snow Sweeper	15,000	-0-
Other Equipment	<u>52,123</u>	<u>22,895</u>
Total	<u>\$239,254</u>	<u>\$230,742</u>

The current level non-operating includes a \$700,000 biennial appropriation of federal Land and Water Conservation grants. Also included in the current level is \$8,000 for contingency snow removal costs.

Funding

The Parks Division is financed with state special revenue accounts and federal funds. The Capitol Group Maintenance program is financed by a proprietary account. All state agencies with offices in the capitol complex proportionately pay into the proprietary account for ground maintenance. The agencies are charged based upon the square footage of office space for use. Table 11 details the Parks Division current level funding.

Table 11
Parks Division Current Level Funding

	- - Parks Program - - -		Grounds Maintenance -	
	Fiscal 1990	Fiscal 1991	Fiscal 1990	Fiscal 1991
State Special Revenues				
Snowmobile Fuel Tax	\$ 299,611	\$ 250,575	\$ -0-	\$ -0-
Coal Tax Trust	800,763	869,617	-0-	-0-
Hunting and Fishing License	458,815	486,171	-0-	-0-
State Parks Income	416,967	344,157	-0-	-0-
Motorboat Fuel Tax	545,942	567,892	-0-	-0-
Snowmobile Registration	16,778	16,778	-0-	-0-
Fishing Access Site	97,000	97,000	-0-	-0-
Subtotal State Special Revenue	\$2,635,876	\$2,632,190	\$ -0-	\$ -0-
Federal Funds	\$ 742,948	\$ 42,949	\$ -0-	\$ -0-
Proprietary Funds				
Snow Groomer Replacement	139,791	146,447	-0-	-0-
Grounds Maintenance	-0-	-0-	203,387	190,891
Subtotal Prop. Funds	\$ 139,791	\$ 146,447	\$203,387	\$190,891
Total Funding	<u>\$3,518,615</u>	<u>\$2,821,586</u>	<u>\$203,387</u>	<u>\$190,891</u>

CONSERVATION EDUCATION

Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - -		% Change 1989-91 Biennium
			Fiscal 1990	Fiscal 1991	
F.T.E.	22.05	22.05	23.05	23.05	1.00
Personal Services	\$ 686,649	\$ 669,323	\$ 694,233	\$ 696,723	2.58
Operating Expenses	512,559	537,942	552,508	568,185	6.68
Equipment	21,239	21,202	25,750	19,000	5.44
Total Expenditures	<u>\$1,220,447</u>	<u>\$1,228,467</u>	<u>\$1,272,491</u>	<u>\$1,283,908</u>	<u>4.39</u>
Fund Sources					
State Special	\$1,097,712	\$1,088,942	\$1,136,589	\$1,145,815	4.38
Federal Revenue	122,735	139,525	135,902	138,093	4.47
Total Funds	<u>\$1,220,447</u>	<u>\$1,228,467</u>	<u>\$1,272,491</u>	<u>\$1,283,908</u>	<u>4.39</u>

Program Description

The Conservation Education Division is responsible for the public relations functions of the department including film production and publication and distribution of the Montana Outdoors magazine. The division informs the public about fish and wildlife laws, administrative rules, and policies that are designed to regulate outdoor recreational activities.

Budget

The 1.00 FTE increase between fiscal 1988 and fiscal 1990 represents the transfer of an environmental specialist position from the Administration Division to the Conservation Education Division.

The 2.58 percent increase in personal services between the bienniums is primarily caused by the transfer of the environmental specialist position. The position is budgeted at \$28,100 per year. A 4 percent vacancy savings factor has been applied to the current level.

Operating expenses increase by 6.68 percent with the major increases being: 1) a 5 percent per year increase in the Montana Outdoors subscription fulfillment which increases the budget \$5,880 in fiscal 1990 and \$9,040 in fiscal 1991; 2) \$3,800 in fiscal 1990 for script writing and film narration of a department documentary; 3) \$2,000 per year increase in production costs for public service announcements; 4) \$1,200 per year increase in contracts with wildlife photographers for film and photographs to be used in department documentaries; 5) \$11,330 reduction in contracted publicity; 6) \$5,744 increase in fiscal 1990 and \$3,324 in fiscal 1991 for the purchase and/or preparation of exhibits; 7) increased printing costs of \$20,700 in fiscal 1990 and \$32,700 in fiscal 1991 for informational brochures and the Montana Outdoors magazine; and 8) \$12,000 of inflationary increase in fiscal 1990 and \$18,700 in fiscal 1991.

The current level equipment is the amount which the department requested. The budget includes \$15,350 in fiscal 1990 and \$10,700 in fiscal 1991 for photographic equipment, \$5,000 per year for film, and other various pieces of equipment budgeted at \$5,400 in fiscal 1990 and \$3,300 in fiscal 1991.

Funding

The Conservation Education Division is primarily funded with hunting and fishing license income. Federal funds and state special revenues also finance portions of the division. Table 12 details the financing of the division.

Table 12
Conservation and Education Division's
Current Level Funding

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
State Special Revenues		
Off-Road Vehicle Tax	\$ 1,700	\$ 2,000
Snowmobile Fuel Tax	37,159	37,159
Coal Tax Trust	27,297	27,822
Hunting and Fishing License	<u>1,070,433</u>	<u>1,078,834</u>
Total State Special Revenue	\$1,136,589	\$1,145,815
Federal Funds	<u>135,902</u>	<u>138,093</u>
Total Funding	<u>\$1,272,491</u>	<u>\$1,283,908</u>

ADMINISTRATION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	30.38	30.48	31.13	31.13	0.75
Personal Services	\$ 965,608	\$ 974,953	\$ 933,426	\$ 937,415	(3.59)
Operating Expenses	482,426	530,727	438,944	444,122	(12.84)
Equipment	<u>30,474</u>	<u>3,330</u>	<u>23,450</u>	<u>10,600</u>	<u>0.73</u>
Total Operating Expenses	\$1,478,508	\$1,509,010	\$1,395,820	\$1,392,137	(6.68)
Non-Operating Expenses	<u>164,869</u>	<u>198,911</u>	<u>190,000</u>	<u>190,000</u>	<u>4.46</u>
Total Expenditures	<u>\$1,643,377</u>	<u>\$1,707,921</u>	<u>\$1,585,820</u>	<u>\$1,582,137</u>	<u>(5.47)</u>
<u>Fund Sources</u>					
State Special	\$1,302,694	\$1,355,250	\$1,189,816	\$1,197,783	(10.17)
Federal Revenue	<u>340,683</u>	<u>352,671</u>	<u>396,004</u>	<u>384,354</u>	<u>12.55</u>
Total Funds	<u>\$1,643,377</u>	<u>\$1,707,921</u>	<u>\$1,585,820</u>	<u>\$1,582,137</u>	<u>(5.47)</u>

Program Description

The Administration Division includes the Fish and Game Commission, the Director's Office, the regional administrative staff, and associated staff services. The commission sets department policies and priorities and regulates the harvest of fish, game, and fur bearers through regulations establishing seasons and bag limits. The Director's Office provides executive direction for the department's

overall program. Management strategies are implemented through the director, associate and deputy directors, and regional administrative staff.

Budget

The 0.75 FTE increase results from the following changes. First, a 1.00 FTE managerial position was transferred to Management Services. Second, 2.00 FTE in the form of five 0.40 FTE were transferred from various divisions to Administration. Third, 0.75 FTE regional assistant was transferred from the Parks Division. Fourth, 1.00 FTE environmental specialist was transferred to the Conservation Education Division.

The current level personal services decreases approximately \$32,000 in fiscal 1990 and \$28,000 in fiscal 1991. This reduction is caused by a retirement and payout in fiscal 1988, and by downgrading the positions as they are replaced. A 4 percent vacancy savings factor has been applied to the current level.

The current level operating expenses decrease by approximately \$43,482 in fiscal 1990 and by \$38,304 in fiscal 1991. The major changes in operating expenses are: 1) a reduction of \$19,821 which were one-time consulting services; 2) an \$11,200 per year reduction in non-state building rental rates; 3) \$8,500 per year of Northwest Planning Council dues payment which is not included in the current level; and 4) numerous other changes and inflationary increases which decreases the current level by \$4,000 in fiscal 1990 and increases the current level by \$1,200 in fiscal 1991. The consulting services line item includes a continuation of \$28,799 per year for the department's legal advice with regards to water rights. The Northwest Planning Council dues are not included in the current level as operating expenses, but rather are included in non-operating as part of the \$65,000 per year of LCA authority.

Equipment is included at the department's requested level. Some of the major equipment items budgeted for in the 1991 biennium are: 1) \$6,600 per year for office equipment; 2) \$9,400 in fiscal 1990 and \$4,000 in fiscal 1991 for duplicating equipment; 3) \$2,250 in fiscal 1990 for computer equipment; and 4) \$5,200 in fiscal 1991 for other types of equipment.

The non-operating current level includes: 1) \$90,000 per year which is transferred to the Department of Livestock for predator control; 2) \$10,000 per year for capital improvements to the department's headquarters building; 3) \$25,000 per year transferred to the State Library for development of the Natural Heritage Program; and 4) \$65,000 per year of Legislative Contract Authority.

Funding

Funding of Administration is from hunting and fishing license income and federal funds.

DEPARTMENT OF STATE LANDS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	333.13	\$15,065,640	\$43,183,625
LFA Current Level	<u>304.38</u>	<u>15,557,257</u>	<u>35,244,390</u>
Executive Over (Under) LFA	<u>=28.75</u>	<u>\$ (491,617)</u>	<u>\$ 7,939,235</u>

The differences between the executive budget and LFA current level primarily are: 1) different vacancy savings factors applied to personal services which results in the executive budget being \$311,699 greater than LFA current level; 2) the executive recommendation for an additional \$218,482 to develop four new trust lands management system components; 3) an executive recommended \$5,081,858 expansion of the Abandoned Mine Program; 4) two \$50,000 biennial appropriations included in LFA current level to reclaim abandoned hard rock and open cut mines; 5) \$69,606 more in the executive budget for capital improvements on trust lands; 6) LFA current level includes \$301,388 more general fund for forest fire equipment; 7) the executive budget recommends \$274,670 more for the Timber Stand Improvement Program and \$581,120 more for the Brush Removal Program; 8) the executive budget recommends to continue the replacement of general fund with RIT interest in the Reclamation Division budget which created \$991,840 difference between the executive budget and LFA current level; and 9) twelve budget modifications which add \$1,889,115 for the biennium.

ISSUE 1: VACANCY SAVINGS

The executive budget proposes that a 2 percent vacancy savings factor be applied to the department's personal services. LFA current level contains a 4 percent factor. The difference in vacancy saving factors results in the executive budget being \$311,699 greater than LFA current level. The general fund portion of the difference is \$227,950.

ISSUE 2: TRUST LANDS MANAGEMENT SYSTEM

The executive budget recommends \$218,482 more resource development funds for the trust lands management system than does LFA current level. The executive budget proposes that four new components of the system be developed in the 1991 biennium at a cost of \$373,590. LFA current level provides \$155,108 which is a continuation of the amount expended in fiscal 1988 and would provide for development of one or possibly two new components.

Revenue projections of the resource development fund which receives 2.5 percent of trust land income indicate that there will not be sufficient revenues to finance the executive proposal. As Table A indicates, the executive recommended expenditures of resource development funds would result in over-expending the available funds at the end of fiscal 1991 by \$169,988.

Table A
Resource Development Fund - Department of State Lands
Fiscal Years 1989-1991

	Fiscal 1989	Fiscal 1990	Fiscal 1991
Beginning Fund Balance	\$203,771	\$101,391	\$ (35,171)
Interest	15,398	10,000	10,000
0.025 of Trust Income	<u>282,252</u>	<u>357,980</u>	<u>355,014</u>
Total Funds Available	\$501,421	\$469,371	\$ 329,843
Disbursements - Executive Budget			
Trust Management System	\$ 73,559	\$188,233	\$ 185,357
Resource Development Division	293,433	280,477	278,652
Department of Revenue	<u>33,038</u>	<u>35,832</u>	<u>35,832</u>
Total Disbursements	\$400,030	\$504,542	\$ 499,841
Ending Fund Balance	<u><u>\$101,391</u></u>	<u><u>\$(35,171)</u></u>	<u><u>\$(169,998)</u></u>

ISSUE 3: ABANDONED MINE PROGRAM

The executive budget recommends \$5,081,858 more federal funds for reclamation of abandoned mine sites than is contained in LFA current level. The executive budget reflects the department request, whereas LFA current level reflects the actual three year expenditure average for the program.

ISSUE 4: BOND FORFEITURE APPROPRIATION

Included in LFA current level are two \$50,000 biennial appropriations which would allow the department to reclaim mining sites with forfeited bond proceeds. The appropriations would be in the Hard Rock and Open Cut bureaus and would allow the division to expend up to \$50,000 of bond proceeds without having to submit budget amendments for spending authorization. The executive budget does not recommend the two \$50,000 appropriations but rather proposes boilerplate language be added to the appropriation bill which states that reclamation of metal mine sites following bond forfeiture meets the emergency requirements for budget amendments.

ISSUE 5: RESOURCE DEVELOPMENT CAPITAL OUTLAY PROJECTS

The executive budget recommends \$69,906 more resource development funds for capital projects than LFA current level. The funds would be used to develop improvements on state trust lands which would enhance the income. LFA current level includes a level of funding for capital projects which reflects the three year average of actual capital expenditure. It should also be noted that the total resource development fund expenditures recommended by the executive budget is greater than the projected income. Please refer to Table "A".

ISSUE 6: FOREST FIRE EQUIPMENT

The executive budget contains \$301,388 less general fund for fire fighting equipment than LFA current level. LFA current level was based upon prior years' expenditures to develop an equipment base.

ISSUE 7: TIMBER STAND IMPROVEMENT AND BRUSH PROGRAMS EXPANSIONS

The executive budget recommends a \$274,670 increase in the Timber Stand Improvement Program and a \$581,120 increase in the Brush Program. LFA current level contains continuation levels for both programs. The Timber Stand Improvement Program and the Brush Program are both financed by \$11 per thousand board feet charge added to the price of timber sold from forest lands.

ISSUE 8: RECLAMATION DIVISION FUNDING

The executive budget recommends continued use of Resource Indemnity Trust Interest (RIT) to finance the administration and operations of the Reclamation Division. This recommendation causes the executive budget recommendation to be \$991,840 less general fund than LFA current level for the Reclamation Division.

LFA current level did not use RIT interest to fund the Reclamation Division budget because Section 15-38-202, MCA, allocates the RIT interest for specific purposes which do not include funding departmental operating expenses. However, paragraph 3 of Section 15-38-202, MCA, permits the executive to propose alternative uses of RIT interest provided that the recommendation is presented in a formal budget document.

ISSUE 9: BUDGET MODIFICATIONS

The executive budget recommends twelve budget modifications in three divisions which would add 22.62 FTE in fiscal 1990 and 28.75 FTE in fiscal 1991. The twelve budget modifications would also increase the budget by \$1,071,849 in fiscal 1990 of which \$486,529 is general fund, and \$817,266 in fiscal 1991 of which \$432,451 is general fund. The twelve budget modifications are detailed in Table B.

Table B
Department of State Lands Budget Modifications

Budget Modifications	Fiscal 1990			Fiscal 1991		
	FTE	General Fund	Total	FTE	General Fund	Total
<u>Lands Division</u>						
Mineral Accountant	1.00	\$ 27,081	\$ 27,081	1.00	\$ 22,833	\$ 22,833
Geologist	1.00	50,552	50,552	1.00	30,104	30,104
<u>Reclamation Div.</u>						
Superfund/Hazardous						
Waste Liaison	1.00	\$ -0-	\$ 31,449	1.00	\$ -0-	\$ 30,711
Abandoned Mine	4.00	-0-	201,265	4.00	-0-	147,103
Coal Mining Study	0.00	-0-	90,000	0.00	-0-	-0-
<u>Forestry Division</u>						
Block 4 Assumption	6.62	\$329,472	\$ 329,472	12.25	\$300,570	\$300,570
Hazard Reduction	4.00	-0-	134,000	4.00	-0-	93,900
Wildlife Support	1.00	14,900	29,800	1.00	14,900	29,800
Water Quality	2.00	-0-	46,190	2.00	-0-	46,188
Wildlife Seedings	0.50	-0-	25,000	0.50	-0-	25,000
Prescribe Burn	1.00	-0-	42,516	1.00	-0-	27,013
Coop. Fire Prog.	0.50	64,524	64,524	1.00	64,044	64,044
Total Budget Modifications	<u>22.62</u>	<u>\$486,529</u>	<u>\$1,071,849</u>	<u>28.75</u>	<u>\$432,451</u>	<u>\$817,266</u>

As shown in Table B, there are two budget modifications in the Lands Division. The purpose of the mineral accountant budget modification is to enable review of current production and reporting information being submitted by producing oil and gas and mining leases in order to ensure that the trust is receiving the correct royalties due. The geologist budget modification is for an additional geologist to help inspect producing leases, conduct field evaluations to follow-up on royalty audits and assist with metalliferous mineral evaluations, land exchange proposals, land ownership questions in navigable rivers and technical testimony.

There are three budget modifications recommended for the Reclamation Division. The superfund/hazardous waste liaison budget modification would coordinate functions among the various state and federal environmental and mine permitting laws.

The abandoned mine budget modification is a reorganization project designed to save about \$100,000 annually. By creating state positions, the department estimates it can save \$100,000 annually in consultant service. The coal mining study budget modification continues federal pass through grants being used to study the hydrological effects of coal mining.

There are seven budget amendments recommended in the Forestry Division. The block 4 assumption budget modification would provide funding for the state to

assume the fourth block of land from the U.S. forest service for fire protection. The executive proposal would add 6.62 FTE in fiscal 1990 and 12.25 FTE in fiscal 1991. The cost of the budget modification is \$329,472 general fund in fiscal 1990 and \$300,570 in fiscal 1991.

LFA current level does not include funding for assumption of the fourth land block, but rather, contains funding to contract with federal agencies for continued fire protection. LFA current level is \$114,855 less than the executive proposal for fiscal 1990 and \$30,577 more in fiscal 1991. For the biennium, LFA current level is \$84,278 less than the executive modification.

The hazard reduction budget modification would add 4.00 FTE to administer the state's timber slash and debris statutes. The wildlife support budget modification is to match a like amount of funds from the Department of Fish, Wildlife, and Parks to hire a wildlife biologist to ensure that wildlife standards and legal responsibilities are met on state lands.

The water quality budget modification is to add 1.00 FTE forest hydrologist and 1.00 FTE soils/hydrology technician to handle the increased workload in water quality and soils monitoring which has resulted from the growth of the Cumulative Effects Cooperative over the last three years. The wildlife seedings budget modification is for the department to provide trees and shrubs for the purpose of improving wildlife habitat on private lands through the federal Conservation Reserve Program (CRP). Fish, Wildlife, and Parks will purchase these trees and shrubs from the forestry nursery for planting on qualified private lands.

The prescribed burn budget modification proposes to utilize an agriculture conservation program special prescribed rangeland improvement practice with the Montana Agriculture Conservation and Stabilization Service (ASCS) to improve rangeland and wildlife habitat. The cooperative fire program budget modification would expand the State-County Cooperative Fire Program to allow Deer Lodge, Flathead and Ravalli counties to enter into cooperative fire control agreements with the state.

DEPARTMENT OF STATE LANDS

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	297.73	302.88	304.38	304.38	6.65
Personal Services	\$ 7,865,133	\$ 7,484,338	\$ 7,434,873	\$ 7,454,861	(3.00)
Operating Expenses	6,910,367	5,195,271	6,716,847	6,496,702	9.15
Equipment	586,205	378,936	622,342	606,182	27.29
Total Operating Costs	\$15,361,705	\$13,058,545	\$14,774,062	\$14,557,745	3.21
Non-Operating Costs	2,297,492	5,313,000	2,955,038	2,957,545	(22.31)
Total Expenditures	<u>\$17,659,197</u>	<u>\$18,371,545</u>	<u>\$17,729,100</u>	<u>\$17,515,290</u>	<u>(2.18)</u>
Fund Sources					
General Fund	\$ 8,156,485	\$ 6,834,436	\$ 7,787,202	\$ 7,770,055	3.78
State Special	2,292,716	2,679,919	2,277,421	2,070,580	(12.56)
Federal Revenue	7,069,695	8,666,871	7,483,843	7,493,858	(4.82)
Proprietary Funds	140,301	190,319	180,634	180,797	9.32
Total Funds	<u>\$17,659,197</u>	<u>\$18,371,545</u>	<u>\$17,729,100</u>	<u>\$17,515,290</u>	<u>(2.18)</u>

Program Description

The Department of State Lands was created in 1927 to administer grazing and agricultural trust lands. The lands administered by the department were acquired in the Enabling Act of 1889 which granted to Montana, for common school support, Sections 16 and 36 in every township within the state, plus other lands for specific educational institutions. Forested trust lands were managed by the Department of Natural Resources and Conservation until July 1, 1981 when the function was transferred to the Department of State Lands. The primary purpose of the department is to administer state trust land holdings for the maximum benefit of the trust receipts. On non-forested lands, the management may include agricultural, grazing, oil and gas, and/or mining leases. On trust forest land, the department management includes reforestation, disease control, timber sale, and fire protection. Additional responsibilities of the department include forest fire protection for private forest lands and administration of the state's reclamation laws and certain other mining laws and regulations.

The department consists of five divisions: 1) Central Management Division; 2) Reclamation Division; 3) Lands Administration Division; 4) Resource Development Division; and 5) Forestry Division.

Budget

The 6.65 FTE increase reflects the following changes. First, the addition of 1.50 positions which were formerly employed as contractors. The IRS has determined that 1.50 pilots should be employees rather than contractors. Second,

7.15 FTE added in fiscal 1989 are included in the current level for the assumption of the third block of land from the federal government for state forest fire protection. Third, 2.00 FTE eliminated in fiscal 1989 in the consolidation of support services are not included in the current level.

The 3.00 percent reduction in personal services reflects the exclusion of \$657,071 of expenditures which occurred in fiscal 1988 to suppress forest fires. After the fire supplemental is excluded, the personal services percentage change becomes a 0.23 percent increase. The increase reflects the inclusion of the 7.15 FTE for Block 3 fire protection in the current level, and the elimination of the 2.00 support services FTE.

The 9.15 percent increase in operating expenses reflects: 1) the exclusion of \$646,769 of fire suppression costs incurred in fiscal 1988; 2) an increase of \$355,955 per year in appropriation authority to do environmental analysis; 3) two \$50,000 appropriations for reclamation of hard rock and open cut mining sites which may result from the mining bond being forfeited; 4) a \$100,000 biennial appropriation of fines, fees, and penalties to reclaim mining sites; 5) in fiscal 1988 approximately \$875,000 of abandoned mine reclamation non-operating costs were transferred to operating and the transfer is continued in the current level; and 6) a \$157,222 per year increase in payments to the U.S. Forest Service for fire protection.

The 27.29 percent increase in equipment reflects an increase in forestry equipment. In fiscal 1987 and 1988, the forestry equipment budget was reduced from previous fiscal year expenditures. The reductions were part of the state-wide effort to reduce general fund costs. In the current level, the forestry equipment budget has been restored to previous spending levels using fiscal 1985, 1986, and 1988 expenditures as the fiscal years from which an average equipment expenditure was determined.

The 22.31 percent reduction in non-operating expenses reflects the following changes. First, the 1991 biennium appropriations of federal funds for the Abandoned Mine Program reflects a three-year average (fiscal 1986-1988). The use of the three-year average reduced the current level by \$2,350,000 from the fiscal 1989 appropriated level. Second, \$875,000 of Abandoned Mine Program non-operating costs were transferred to operating expenses in fiscal 1988 and are budgeted in the current level as operating expenses. In fiscal 1989, these expenses are appropriated as non-operating costs.

Funding

There are two major changes in the funding between the 1989 biennium and the 1991 biennium. First, \$1,320,892 of general fund expended in fiscal 1988 for forest fire supplementals is not included in the current level. Second, in the 1989 biennium, Resource Indemnity Trust interest was used to finance the Reclamation Division's programs and to match the division's federal funds. Because Section 15-38-202, MCA, allocates 100 percent of RIT interest to specific appropriations, all past uses of RIT interest, other than those statutorily specified, have been refinanced with general fund. In the Reclamation Division budget, this refinancing caused the general fund to increase by \$656,657 in fiscal 1990 and \$658,428 in fiscal 1991.

CENTRAL MANAGEMENT

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1989-91
	1988	1989	1990	1991	Biennium
F.T.E.	21.00	21.00	32.50	32.50	11.50
Personal Services	\$ 586,484	\$ 616,264	\$ 878,971	\$ 881,845	46.40
Operating Expenses	589,535	541,568	521,121	484,382	(11.10)
Equipment	30,440	-0-	16,140	10,000	14.13
Total Operating Costs	\$1,206,459	\$1,157,832	\$1,416,232	\$1,376,227	18.11
Non-Operating Costs	265,000	265,000	265,000	265,000	0.00
Total Expenditures	<u>\$1,471,459</u>	<u>\$1,422,832</u>	<u>\$1,681,232</u>	<u>\$1,641,227</u>	<u>14.79</u>
Fund Sources					
General Fund	\$1,058,191	\$1,028,672	\$1,310,083	\$1,275,571	23.90
State Special	188,359	114,559	80,529	74,579	(48.80)
Federal Revenue	88,217	89,282	109,986	110,280	24.09
Proprietary Funds	136,692	190,319	180,634	180,797	10.03
Total Funds	<u>\$1,471,459</u>	<u>\$1,422,832</u>	<u>\$1,681,232</u>	<u>\$1,641,227</u>	<u>14.79</u>

Program Description

The Central Management Division is responsible for performing the overall administrative services for the department. These services include revenue collection and distribution, budgeting, accounting, aviation operations, trust record maintenance, personnel, and data processing. The department's legal section and reception services for the Helena office are included in this division.

Budget

The 11.50 FTE increase reflects the following adjustments. First, 10.50 FTE from the Forestry Division were transferred to the Central Management Division in response to the legislative directive to consolidate administrative functions. In directing the department to consolidate administrative functions, the legislature also directed that 2.00 administrative FTE be eliminated in fiscal 1989. As part of that directive, the Central Management Division eliminated 0.50 FTE and the Forestry Division eliminated 1.50 FTE. Second, the department added 1.50 FTE because the IRS requires that certain state contracted positions be state employees. As a result, 1.50 contract pilots are now state employees.

The personal services budget increases by 46.40 percent. The increase is caused primarily by the transfer of the 10.50 FTE and approximately \$235,000 per year of general fund from the Forestry Division. Also, the transfer of contract service expenditures to personal services for the 1.50 pilot positions increases personal services by approximately \$25,000 per year.

The department requested that no vacancy savings be applied to the entire department budget. But, consistent with past practice, a 4 percent vacancy savings factor has been applied. The division had approximately 8 percent vacancy savings in fiscal 1988.

The current level operating expenses budget for this division is reduced by \$68,414 in fiscal 1990 and by \$105,153 in fiscal 1991 from the fiscal 1988 expenditure level. The major reduction in operating expenses was \$90,466 of computer programming costs which were excluded from the base for development of the trust land management system. The trust land management system is the computerized information system on the landholding and financial transactions of the state's trust lands holdings. Currently, four basic functions are computerized: land disposition, land marketing, trust revenues, and security. The department proposes development of four new functions in the 1991 biennium costing \$102,268 per year. These additional costs are not included in the current level.

Other operating expense changes include: 1) a reduction of \$12,371 in fiscal 1990 and \$9,637 in 1991 in insurance costs; 2) an increase of \$5,993 in fiscal 1990 for audit costs which is a biennial appropriation; therefore, in fiscal 1991, a \$29,980 reduction occurs; 3) a \$3,600 per year increase in microfiche production from the Department of Administration which reflects the use and implementation of the trust management system and the computer-generated reports; 4) a \$5,302 per year increase in computer costs for SBAS; 5) a \$7,174 per year increase in fuel for the state aircraft, which reflects a three-year average of fuel costs; 6) a transfer of \$3,170 per year from the forestry budget for pilot training; 7) a \$1,580 increase in rent in fiscal 1990 and a \$1,980 increase in fiscal 1991; 8) a \$36,470 per year increase in aircraft maintenance costs based upon a three-year average (fiscal 1986-1988) of aircraft maintenance costs; 9) a reduction of \$1,124 in fiscal 1990 and \$986 in 1991 for payroll service fees; 10) a reduction in computer processing charges of \$16,214 in 1990 and \$22,520 in fiscal 1991 which reflects lower charged rates for the same level of service; and 11) the elimination of the \$11,095 per year one-time expenditure to maintain the Twin Bridges facility which was sold by the state in fiscal 1988.

The current level equipment base includes \$2,640 in fiscal 1990 for office equipment, \$10,000 each year of the biennium for computer equipment, and \$3,500 in fiscal 1990 for a personal computer for air operations. Air operations proprietary funds finance the personal computer.

The current level non-operating expenses base includes \$265,000 appropriated for state lands equalization payments.

Funding

Table 1 details the four components of the Central Management Division and the current level funding of each component for the 1991 biennium.

Table 1
Central Management Division - Program Funding

<u>Fiscal 1990</u>	<u>General Fund</u>	<u>Resource Development Fund</u>	<u>Federal Indirect</u>	<u>Air Operation</u>	<u>Total</u>
Central Management	\$ 891,027	\$ -0-	\$109,986	\$ -0-	\$1,001,013
Trust Land Management System	-0-	80,529	-0-	-0-	80,529
Aviation Program	154,056	-0-	-0-	180,634	334,690
Payment in Lieu of Taxes	<u>265,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>265,000</u>
Total	<u>\$1,310,083</u>	<u>\$80,529</u>	<u>\$109,986</u>	<u>\$180,634</u>	<u>\$1,681,232</u>
<u>Fiscal 1991</u>					
Central Management	\$ 855,677	\$ -0-	\$110,280	\$ -0-	\$ 965,957
Trust Land Management System	-0-	74,579	-0-	-0-	74,579
Aviation Program	154,894	-0-	-0-	180,797	335,691
Payment in Lieu of Taxes	<u>265,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>265,000</u>
Total	<u>\$1,275,571</u>	<u>\$74,579</u>	<u>\$110,280</u>	<u>\$180,797</u>	<u>\$1,641,227</u>

The resource development fund which receives 2.5 percent of the income generated by state trust fund lands finances the trust land management system. The resource development fund is projected to earn approximately \$410,000 per year.

Proprietary funds, whose revenues come from aircraft user charges, finances the aviation program's direct costs, such as fuel and maintenance. General fund finances the fixed costs, such as pilot's salary, insurance, hangar space, and utilities. The 23.90 percent increase in general fund primarily reflects the transfer of \$235,000 per year for administrative positions from the Forestry Division to Central Management Division.

RECLAMATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	35.00	35.00	35.00	35.00	0.00
Personal Services	\$ 893,974	\$ 994,153	\$ 986,831	\$ 988,698	4.63
Operating Expenses	3,083,272	2,025,226	3,533,379	3,338,436	34.52
Equipment	97,374	30,000	54,566	54,546	(14.34)
Total Operating Costs	\$4,074,620	\$3,049,379	\$4,574,776	\$4,381,680	25.72
Non-Operating Costs	2,026,743	4,970,000	2,679,991	2,682,498	(23.36)
Total Expenditures	<u>\$6,101,363</u>	<u>\$8,019,379</u>	<u>\$7,254,767</u>	<u>\$7,064,178</u>	<u>1.40</u>
Fund Sources					
General Fund	\$ 82,795	\$ 84,177	\$ 739,452	\$ 741,223	786.78
State Special	734,476	1,012,474	700,000	500,000	(31.31)
Federal Revenue	5,284,092	6,922,728	5,815,315	5,822,955	4.66
Total Funds	<u>\$6,101,363</u>	<u>\$8,019,379</u>	<u>\$7,254,767</u>	<u>\$7,064,178</u>	<u>1.40</u>

Program Description

The Reclamation Division is responsible for the regulation of all mining-related disturbances in the state. The division administers the Montana Strip and Underground Mine Reclamation Act, Section 82-4-210, MCA; the Montana Opencut Mining Act, Section 82-4-401, MCA; the Montana Strip and Underground Mine Siting Act, Section 82-4-101, MCA; and statutes regulating hardrock mining. The division also administers the Federal Surface Mining Control and Reclamation Act.

The Reclamation Division includes the Abandoned Mine Reclamation Bureau, the Coal and Uranium Bureau, and the Hardrock Mining Bureau.

The Abandoned Mine Reclamation Bureau is responsible for abandoned mine reclamation, site inventory, reclamation project design, project administration, reclamation contracts, and technical assistance.

The Coal and Uranium Bureau is responsible for the Federal Surface Mining Control and Reclamation Act and the Montana Strip and Underground Mine Siting and Reclamation Acts. The bureau reviews prospecting and mining applications for coal and uranium and issues permits for both. The bureau is also responsible for reclamation of coal and uranium mining operations, including site evaluations, and bond release inspections.

The Hardrock Mining Bureau is responsible for administering the Montana Metal Mines Reclamation Act. The bureau issues mine and exploration permits, licenses and exclusions, and reviews reclamation plans. The bureau also conducts mine and bond release inspections and monitors water quality.

Budget

The personal services budget increases by 4.63 percent. In fiscal 1988 the division experienced a 10 percent vacancy rate. A majority of the vacant positions were in the Coal and Uranium Bureau which experienced 22.5 percent vacancy savings. In analyzing the vacancy rate at the beginning of fiscal 1989, all of the positions were filled. Therefore, the current level contains funding for all 35.00 FTE. A 4 percent vacancy savings factor was applied to this division.

The operating expenses include the following changes in the current level. First, two \$50,000 biennial appropriations are added for reclamation of hardrock and open cut mining sites. The funds will allow the department to expend forfeited bond proceeds for site clean-up. Second, a \$100,000 biennial appropriation of fines, fees, and penalties is added to reclaim mine sites. The \$100,000 appropriation is used if the bond proceeds are not sufficient to reclaim the site. Third, \$355,955 per year is added for environmental analysis. The appropriation is made from the state special revenue fund entitled Department of State Lands environmental impact statement account. With the additional \$355,955 in the current level, the total amount appropriated for environmental analyses each fiscal year is \$500,000. If the department determines that a proposed mining project needs an environmental impact statement (EIS), the entity proposing the project is required to reimburse the department the cost of the EIS. The reimbursements are deposited in the Department of State Lands environmental impact statement account. Because it is not possible to estimate the cost of an EIS, the legislature has been appropriating \$500,000 per year for any potential EIS's. The practice is continued in the current level. Fourth, insurance costs are reduced \$6,979 in fiscal 1990 and \$6,309 in 1991. Fifth, expenditures totaling \$101,089 for fiscal 1988 budget amendments are not included in the current level. Sixth, in fiscal 1988, approximately \$875,000 in consulting contracts for abandoned mine projects, which had been budgeted as a non-operating expense, were recorded as operating expenses. The fiscal 1989 appropriated level continues to budget these costs as non-operating expenses but the current level for fiscal 1990 and 1991 records these as operating expenses as was done in fiscal 1988.

The current level base for equipment is \$54,546 which is the three-year average of previous equipment expenditures. The three years used in the average were fiscal 1986-1988.

The funds in non-operating are for abandoned mine construction activities. The current level amount for the Abandoned Mine Program reflects the three-year average of prior year costs. The three years used in the average were fiscal 1986-1988.

Funding

The Reclamation Division contains five programs. Table 2 details the funding for each of the programs.

Table 2
Reclamation Division Funding by Program

<u>Fiscal 1990</u>	<u>General Fund</u>	<u>Hardrock Fund</u>	<u>Bond Forfeiture</u>	<u>DSL EIS</u>	<u>Federal</u>	<u>Total</u>
Administration	\$ 56,658	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 56,658
Hardrock	367,228	100,000	50,000	-0-	-0-	517,228
Envir. & Analysis Bur.	-0-	-0-	-0-	500,000	-0-	500,000
Abandoned Mine	-0-	-0-	-0-	-0-	5,305,351	5,305,351
Open Cut	124,910	-0-	50,000	-0-	-0-	174,910
Coal and Uranium	<u>190,656</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>509,964</u>	<u>700,620</u>
Total FY90 Funding	<u>\$739,452</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$500,000</u>	<u>\$5,815,315</u>	<u>\$7,254,767</u>
<u>Fiscal 1991</u>						
Administration	\$ 56,354	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 56,354
Hardrock	370,791	-0-	-0-	-0-	-0-	370,791
Envir. & Analysis Bur.	-0-	-0-	-0-	500,000	-0-	500,000
Abandoned Mine	-0-	-0-	-0-	-0-	5,305,351	5,305,351
Open Cut	120,148	-0-	-0-	-0-	-0-	120,148
Coal and Uranium	<u>193,930</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>517,604</u>	<u>711,534</u>
Total FY91 Funding	<u>\$741,223</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$500,000</u>	<u>\$5,822,955</u>	<u>\$7,064,178</u>

The reclamation hardrock fund receives its revenue from mining fees, fines, and penalties. The Department of State Lands environmental impact statement fund receives its revenue from industries who propose projects which need a state environmental impact statement. The industries are charged for the cost of producing the impact statement. The federal funds come from the U.S. Interior Department for abandoned mine reclamation and regulation of coal mining.

In the 1989 biennium, RIT interest was used to finance the division's programs. Because Section 15-38-202, MCA, allocates 100 percent of RIT interest to specific appropriations, all past uses of RIT interest, other than those statutorily specified, have been refinanced with general fund. In the Reclamation Division budget, this refinancing caused the general fund to increase by \$656,657 in fiscal 1990 and \$658,428 in fiscal 1991.

The ratio of state funding to federal funding has changed in the Coal and Uranium Bureau. The federal office of Surface Mining Reclamation and Enforcement will provide 100 percent of the funds necessary for regulation of mines located on federal lands and 50 percent of the funds for regulation of mining activities off federal lands. Because there has been increased activity on other than federal lands, the funding mix for the bureau has switched from 82.26 percent federally funded to 72.80 percent.

LAND ADMINISTRATION

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	18.62	18.62	18.62	18.62	0.00
Personal Services	\$443,914	\$442,138	\$434,272	\$435,180	(1.87)
Operating Expenses	84,387	113,665	86,790	87,142	(12.18)
Equipment	16,207	11,432	24,500	14,500	4.10
Total Expenditures	\$544,508 =====	\$567,235 =====	\$545,562 =====	\$536,822 =====	(2.64) =====
<u>Fund Sources</u>					
General Fund	\$544,508 =====	\$567,235 =====	\$545,562 =====	\$536,822 =====	(2.64) =====

<u>ISSUES</u>	- - - Fiscal 1990 - - -		- - - Fiscal 1991 - - -	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Trust Lands Subsidy of Hunting and Fishing Activities				
Option A:	\$(186,064)*	\$186,064**	\$(186,064)*	\$186,064*
Option B:	(95,152)*	1,016,798**	(95,152)*	-0-
Option C:	-0-	-0-	-0-	-0-
Option D:	-0-	-0-	-0-	-0-

* The reduction of general fund would be realized in programs such as school foundation program which receive general fund and trust income support.

** The increase of other funds would be wildlife habitat funds which would be appropriated to either purchase the leased land or compensate the trusts for lost income.

Program Description

The Land Administration Division is responsible for appraisal, supervision, management, and development of non-forest trust lands. The division is responsible for insuring that returns on the use of trust lands are maximized without adversely affecting the land resource. Proceeds from surface and mineral resource leases are distributed to public schools and other endowment funds. The division consists of the following bureaus and section: 1) Resource Development Bureau; 2) Land Management Bureau; 3) Surface Leasing Bureau; 4) Mineral Leasing Bureau; and 5) Geology Section.

Budget

The 1.87 percent reduction in personal services reflects a 4 percent vacancy savings factor which was applied to the division. The major current level change in operating expenses was a \$1,376 per year increase in computer operating costs to implement the trust land management system.

Current level equipment includes \$24,500 in fiscal 1990 to replace two vehicles and \$14,500 in fiscal 1991 to replace one vehicle.

Funding

This program is funded entirely by general fund.

ISSUE 1: TRUST LANDS SUBSIDY OF HUNTING AND FISHING ACTIVITIES

In January 1988 the Legislative Finance Committee was presented with a report which analyzed the income earned from the state's trust lands. The report entitled "Trust Lands Income" presented the committee with two main issues. First, were the various trusts receiving a fair market value from grazing leases, and second, would trust income be increased if the trust lands were sold and the assets financially managed? It is from the second issue that this current level issue was developed. Specifically, could the state maximize the trust's income if some of the trust lands were sold and the assets financially managed?

There appears to be an unwritten policy in Montana that under no circumstances should the possibility of selling trust lands ever be considered. This policy was evident at the November 18, 1988 Legislative Finance Committee meeting where a follow-up report to the "Trust Lands Income" report was presented. At that meeting Secretary of State Bertelsen stated:

... [selling trust lands] is an issue that I really have very strong feelings about. Now I think we might well look back ... [at] what would have happened if the first legislators in Montana's history had decided they were going to sell state lands for about a nickel an acre? What would we have in the trust fund today? ... I think it is ridiculous to sell state lands. As far as ... the future of Montana's people and children ... I think that [selling trust lands] would be a terrible mistake.

This issue, through examples, will show that the policy of not selling trust lands is resulting in trust lands subsidizing hunting and fishing activities.

The first example involves the July 1988 purchase of the Robb Creek Ranch by the Department of Fish, Wildlife, and Parks. The department purchased 17,170 acres of deeded land and the right to lease 10,817 acres of state trust lands and 6,802 acres of federal land. The purchase price for the ranch's 34,789 acres was \$1,820,000. The \$1,820,000 is the appraised value determined by Robert Kembel, an appraiser from Missoula.

Mr. Kembel determined that 15,681 acres of the ranch's 17,170 deeded acres were native rangeland with a value of \$94 dollars per acre. There was no attempt to value the trust lands. The appraiser noted that the 10,817 acres of trust lands supported 3,082 AUM's (Animal Unit Months) or an average of 0.285 AUM/acre, while the 15,681 acres of deeded land supported 4,100 AUM or 0.261 AUM/acre. Therefore, based upon AUM's per acre, it can be concluded that, per acre, the trust lands are of equal if not greater value than the deeded lands. At \$94 per acre the 10,817 acres of trust land would be valued at \$1,016,798.

According to the Department of State Lands, the lease income from grazing on Robb Creek Ranch will be \$9,070 in fiscal 1989. The \$9,070 represents a 0.89 percent return on land valued at \$1,016,798. If, as is detailed in the "Trust Land Income" report, trust assets financially managed can receive a 10.25 percent

interest rate, then a \$1,016,798 investment would earn \$104,222 per year of interest income. Since the grazing leases are producing \$9,070 per year, whereas a financially managed asset would produce \$104,222 per year, the trusts are subsidizing wildlife management activities at a rate of \$95,152 per year.

The 10,817 acres of trust lands includes lands from three different trusts. There are 9,053 acres of public school trust lands, 550 of Pine Hills School trust lands, and 1,214 acres of public building trust lands. Table 3 details: 1) the trust lands of each trust; 2) the value of each type of trust lands based on \$94 per acre; 3) the income that could be received if the lands were sold and the assets invested at 10.25 percent; 4) the current income received by each trust; and 5) the estimated loss each trust is incurring by not selling the land assets.

Table 3
Annual Income Lost by Various Trusts

Trust	Acres Owned	Value of Acreage at \$94 per Acre	Income if Invested at 10.25%	Current Lease Income	Net Loss
Public Schools	9,053	\$ 850,982	\$ 87,226	\$7,591	\$(79,635)
Pine Hills	550	51,700	5,299	461	(4,838)
Public Buildings	1,214	114,116	11,697	1,018	(10,679)
Total	<u>10,817</u>	<u>\$1,016,798</u>	<u>\$104,222</u>	<u>\$9,070</u>	<u>\$(95,152)</u>

The second example involves 26,670 additional trust acres the Department of Fish, Wildlife, and Parks leases. The Department of Fish, Wildlife, and Parks is leasing the 26,670 acres for \$18,435 per year, or \$0.69 per acre per year. To earn \$0.69 per year through financial management requires a \$6.75 investment at 10.25 percent interest. Therefore, if the leased land were sold to the Department of Fish, Wildlife, and Parks for \$6.75 per acre the trusts would neither lose nor gain income. The "Trust Lands Income" report estimated the value for all trust grazing lands at \$40 per acre. Using \$40 per acre, the value of the 26,670 acres would be \$1,066,800. At a 10.25 percent interest rate a \$1,066,800 investment would earn \$109,347 per year. Because the trust assets are not earning their full potential, the hunting and fishing activities on the leased lands are being subsidized at a rate of \$90,912 per year.

The net loss to the trust accounts from the Department of Fish, Wildlife, and Parks leasing of the trust lands in these two examples is \$186,064 per year. If the \$186,433 of lost income is replaced, the general fund appropriation to the trusts can be reduced by \$186,064.

To eliminate the trust's subsidy of hunting and fishing activities and any other activities in which a state agency leases trust lands, the legislature should consider the following. First, all trust lands leased by the Department of Fish, Wildlife, and Parks and all other state agencies should be appraised to establish a fair market value. Second, a financial plan should be developed to either transfer ownership of the lands to the managing agency or the trust should be compensated annually for lost trust income.

In the examples used in this issue the legislature could use the wildlife habitat fund to purchase or fully compensate the trust funds. The wildlife habitat fund is projected to receive \$2.2 million per year for wildlife habitat purchase and maintenance, and a portion of that income could be designated to purchase or compensate trust accounts.

Option A: Appropriate an additional \$186,064 per year of wildlife habitat revenue to replace the lost income of the three trust funds.

Option B: Appropriate \$1,016,798 of wildlife habitat revenue to purchase the trust lands located on the Robb Creek Ranch. This option would reduce general fund obligations to three trusts by \$95,152 a year.

Option C: Request that the Department of State Lands appraise the 26,760 acres leased by the Department of Fish, Wildlife, and Parks to determine a fair market value for the property. The fair market value would be used to set a sales price of the property to the Department of Fish, Wildlife, and Parks.

Options D: Take no action.

RESOURCE DEVELOPMENT					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>- - - Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Services	\$193,601	\$180,310	\$192,533	\$192,929	3.09
Operating Expenses	<u>35,245</u>	<u>35,123</u>	<u>35,187</u>	<u>35,809</u>	<u>0.89</u>
Total Operating Costs	\$228,846	\$215,433	\$227,720	\$228,738	2.74
Non-Operating Costs	<u>5,749</u>	<u>78,000</u>	<u>10,047</u>	<u>10,047</u>	<u>(76.01)</u>
Total Expenditures	<u>\$234,595</u>	<u>\$293,433</u>	<u>\$237,767</u>	<u>\$238,785</u>	<u>(9.75)</u>
<u>Fund Sources</u>					
State Special	<u>\$234,595</u>	<u>\$293,433</u>	<u>\$237,767</u>	<u>\$238,785</u>	<u>(9.75)</u>

Program Description

The Resource Development Division carries out land development projects to increase revenue and to improve or preserve the value of the land. This responsibility is in accordance with the policy delineated in Section 77-1-601, MCA, which states:

It is in the best interest and to great advantage of the State of Montana to seek the highest development of state-owned lands in order that they might be placed to their

highest and best use and thereby derive greater revenue for the support of the common schools, the university system, and other institutions benefiting therefrom . . .

Budget

The \$12,223 increase in personal services between fiscal 1989 and fiscal 1990 reflects the transfer in of a grade 14 cultural specialist and the transfer out of a grade 7 clerical position. The cultural specialist was transferred in from the Lands Division and the clerical position was transferred to the Central Management Division.

The non-operating expenditure reflects capital outlay appropriations for capital improvements on trust lands. The \$10,047 reflects the average expenditures for fiscal years 1986, 1987, and 1988.

Funding

Funding for resource development projects is from the resource development account which derives its income from trust lands. The Land Board determines the percentage of up to 2.5 percent which can be allocated to the resource development account. For the 1991 biennium 2.5 percent is to be assessed. Table 4 is a three-year cash flow analysis of the resource development account.

Table 4
Resource Development Account Three-Year Cash Flow Analysis
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Fund Balance	\$203,771	\$101,391	\$115,243
Projected Income	282,252	357,980	355,014
Interest Income	<u>15,398</u>	<u>10,000</u>	<u>10,000</u>
Total Funds Available	\$501,421	\$469,371	\$480,257
<u>Disbursements</u>			
Trust Management System	\$ 73,559	\$ 80,529	\$ 74,579
Resource Development	293,433	237,767	238,785
Department of Revenue	<u>33,038</u>	<u>35,832</u>	<u>35,832</u>
Total Disbursements	<u>\$400,030</u>	<u>\$354,128</u>	<u>\$349,196</u>
Ending Fund Balance	<u><u>\$101,391</u></u>	<u><u>\$115,243</u></u>	<u><u>\$131,061</u></u>

FORESTRY DIVISION

Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	216.11	221.26	211.26	211.26	(4.85)
Personal Services	\$5,747,160	\$5,251,473	\$4,942,266	\$4,956,209	(10.00)
Operating Expenses	3,117,928	2,479,689	2,540,370	2,550,933	(9.05)
Equipment	442,184	337,504	527,136	527,136	35.22
Total Expenditures	\$9,307,272 =====	\$8,068,666 =====	\$8,009,772 =====	\$8,034,278 =====	(7.67) =====
Fund Sources					
General Fund	\$6,470,991	\$5,154,352	\$5,192,105	\$5,216,439	(10.47)
State Special	1,135,286	1,259,453	1,259,125	1,257,216	5.08
Federal Revenue	1,697,386	1,654,861	1,558,542	1,560,623	(6.95)
Other Revenue	3,609	-0-	-0-	-0-	(100.00)
Total Funds	\$9,307,272 =====	\$8,068,666 =====	\$8,009,772 =====	\$8,034,278 =====	(7.67) =====

Program Description

The Forestry Division is responsible for: 1) surface management on all school trust land classified as forest; 2) fire suppression on all private and state land within forest fire districts and within counties as requested; and 3) provision of technical advice to private landowners, loggers, and mills as it pertains to maximizing returns from the forest resource.

Budget

The reduction of 4.85 FTE is caused by: 1) the transfer of 10.50 FTE administrative support positions to the Central Management Division; 2) an increase of 7.15 FTE for the assumption of the third block of forest fire protection; and 3) a reduction of 1.50 FTE administrative positions as mandated by the legislature. The last two adjustments became effective in fiscal 1989.

The 10.00 percent reduction in personal services is caused primarily by three factors. First, fiscal 1988 includes \$657,071 of supplemental forest fire expenditures which are not carried forward in the 1991 biennium current level. Second, 10.50 FTE and \$235,000 per year were transferred to the Central Management Division in the consolidation of support services. Third, a 4 percent vacancy savings factor was applied to this division.

Below are listed the factors which result in a \$577,558 reduction in fiscal 1990 and a \$566,995 reduction in fiscal 1991 in operating expenses from the fiscal 1988 actual expenditures: 1) elimination of \$663,821 of fire suppression expenditures; 2) elimination of \$2,470 of budget amendment expenditures; 3) a reduction of \$14,500 in consulting services; 4) a \$26,000 per year reduction in one-time fire suppression services; 5) a \$3,500 per year increase in insurance

costs; 6) a \$9,500 per year increase in laboratory testing costs; 7) a \$12,500 per year increase in fire protection payments to rural fire districts; 8) a reduction of \$24,900 per year in fire protection contract pilot expenses; 9) a \$50,000 per year reduction in aircraft repair costs; 10) inflationary and other minor changes which increase the current level budget \$25,100 in fiscal 1990 and \$33,800 in fiscal 1991; and 11) a \$157,222 per year increase in payments to the federal government for fire protection on state and private lands. The \$157,222 per year increase in payment to the federal government for forest fire protection is described in the following paragraph.

By statute, the State of Montana has forest fire protection responsibility for all state and private lands. Currently, the state provides this forest fire protection through the Forestry Division and through contracts with the U.S. Forest Service and other federal agencies. The U.S. Forest Service also has responsibility for protecting federally-owned land. Over the years there have been cooperative agreements between the state and federal governments as to specific geographic areas for which each has responsibility.

Until the 1985 biennium, the U.S. Forest Service was protecting approximately 2,000,000 more acres of state and private lands than federal lands which the state was protecting. In 1985, the U.S. Forest Service indicated that the acreage discrepancy was costing them more than the 19.45 cents per acre that the state was paying. The Forest Service threatened to charge the state the full cost of fire protection on the 2,000,000 acres unless the state embarked on a schedule of equalizing the acreage protected.

Believing it was cheaper for the state to protect the land than to pay the cost of federal protection, the state legislature approved the Forestry Division's assumption of approximately 400,000 acres per biennium since the 1985 biennium. Today the imbalance in acreage protected has been reduced to approximately 688,000 acres, and if the legislature were to continue to assume additional acreage for state fire protection the state would be assuming the fourth block of land in the 1991 biennium.

The current level budget does not include funding for the assumption of Block 4. Rather, the current level includes funding to pay the U.S. Forest Service the additional cost of protecting the 688,000 acres. The rationale for not assuming Block 4 is that the state could save approximately \$121,000 in fiscal 1990, and the costs to the state of protecting the land or contracting with the U.S. Forest Service are about equal each fiscal year after fiscal 1990. These conclusions, a \$121,000 savings in fiscal 1990 and no savings in future fiscal years, were obtained using the following analysis.

If the state were to assume Block 4, the state would assume protection for an additional 638,000 acres which would leave an imbalance of approximately 50,000 acres. The costs for fire protection are estimated to be \$471,000 in fiscal 1990 and \$324,900 in fiscal 1991. For fiscal 1990 these costs include: 1) \$336,000 of start-up costs (as estimated by the Forestry Division) to prepare the state to assume Block 4 in fiscal 1991; and 2) \$135,400 to pay the three federal agencies to continue the fire protection on the 688,000 acres. The \$135,400 includes: 1) \$200 to the Bureau of Land Management; 2) \$8,700 to the Bureau of Indian Affairs to protect private and state-owned land within the Flathead Indian Reservation; and 3) \$126,500 to the U.S. Forest Service. In fiscal 1991 the costs include: 1) \$306,000 to assume the fire protection of Block 4 and 2) \$18,900 to pay the three federal agencies to continue the fire protection on approximately

50,000 acres. The \$18,900 includes: 1) \$200 to the Bureau of Land Management; 2) \$8,700 to the Bureau of Indian Affairs to protect private and state-owned land within the Flathead Indian Reservation; and 3) \$10,000 to the U.S. Forest Service. Not included in the costs for fiscal 1991 are the cost of fire suppression. Any fire suppression costs which the state would avoid by not assuming Block 4 provide additional rationale for not assuming the fire protection responsibility for Block 4. Table 5 details the cost of assuming Block 4.

Table 5
Costs of Assuming Block 4

	Fiscal 1990	Fiscal 1991
Payment to Federal Agencies		
BLM	\$ 200	\$ 200
BIA	8,700	8,700
USFS	126,500	10,000
Subtotal Payments to Feds	\$135,400	\$ 18,900
Start-up Costs to Assume Block 4	\$336,000	\$ -0-
Assumption of Block 4	-0-	306,000
Fire Suppression Cost	-0-	?
Total Cost of Assuming Block 4	<u>\$471,400</u>	<u>\$324,900 + ?</u>

The cost of having the U.S. Forest Service continue to protect the 688,000 acres is estimated to be \$350,000. The estimate is based upon an estimated 51 cents per acre charged by the U.S. Forest Service. The \$350,000 per year is \$121,400 less than the estimated costs of assuming Block 4 in fiscal 1990 and is \$25,100 greater than the estimated costs in fiscal 1991. However, as mentioned earlier, the \$324,900 costs in fiscal 1991 do not include any potential suppression costs. Therefore, the current level includes \$350,000 per year for continuing to contract for fire protection rather than the state assuming an additional 638,000 acres.

A three-year average of expenditures for equipment of \$527,136 per year was used as the current level base for equipment. The three years used in the average were fiscal 1985, 1986, and 1988. Fiscal 1987 was not used in the average because in fiscal 1987 the department applied its 5 percent reduction to the equipment line item.

Funding

Table 6 details the funding of the Forestry Division by program.

Table 6
Forestry Budget by Program
1991 Biennium

	General <u>Fund</u>	State <u>Special</u>	Landowner <u>Assessment</u>	<u>Federal</u>	<u>Total</u>
----- Fiscal 1990 -----					
State Forest Management	\$1,588,523	--	--	--	\$1,588,523
Administration	1,099,225	--	--	\$139,217	1,238,442
Forest Fire	2,255,758	--	\$1,125,685	284,880	3,666,323
Brush Removal	--	\$ 465,656	--	--	465,656
Timber Stand Improvements	--	543,469	--	--	543,469
Nursery	139,889	165,000	--	8,760	313,649
Private Slash Removal	<u>108,710</u>	<u>85,000</u>	<u>--</u>	<u>--</u>	<u>193,710</u>
Total Fiscal 1990 Funding	<u>\$5,192,105</u>	<u>\$1,259,125</u>	<u>\$1,125,685</u>	<u>\$432,857</u>	<u>\$8,009,772</u>
----- Fiscal 1991 -----					
State Forest Management	\$1,640,091	--	--	--	\$1,640,091
Administration	1,087,301	--	--	\$140,392	1,227,693
Forest Fire	2,247,524	--	\$1,125,685	285,786	3,658,995
Brush Removal	--	\$ 470,422	--	--	470,422
Timber Stand Improvements	--	536,469	--	--	536,469
Nursery	132,657	165,000	--	8,760	306,417
Private Slash Removal	<u>108,866</u>	<u>85,325</u>	<u>--</u>	<u>--</u>	<u>194,191</u>
Total Fiscal 1991 Funding	<u>\$5,216,439</u>	<u>\$1,257,216</u>	<u>\$1,125,685</u>	<u>\$434,938</u>	<u>\$8,034,278</u>

The brush and timber stand improvement revenues are generated from the sale of timber on state land. The price at which the state sells the timber includes \$11 per million board feet (MBF) for the Timber Stand Improvement (TSI) Program and \$11 per MBF for the Brush Removal program. These revenues are used to finance 100 percent of the TSI and Brush Removal programs.

The revenues for the nursery account are derived from the sale of nursery products.

The landowner assessment is a property tax assessment levied on private forest landowners for forest fire protection. By statute the maximum assessment is 17 cents per acre with a minimum assessment of \$14 per landowner. The Department of State Lands is statutorily required to collect up to one-third of the fire protection costs from private landowners, and the past legislative practice has been to determine the one-third amount by taking the Forest Fire Bureau appropriation and dividing it by three. As Table 6 details, the Forest Fire Bureau budget for fiscal 1990 is \$3,666,323 and one-third is \$1,222,108. As Table 6 shows the "Landowner Assessment" is only \$1,125,685, or \$96,423 less than one-third of the bureau's fiscal 1990 current level appropriation. The assessment is not equal to one-third of the bureau's appropriation because the maximum assessment is currently being assessed and the income from the assessment is less than one-third of the bureau's appropriation.

Because the statutory maximum produces less than one-third of the Forest Fire Bureau's appropriation, \$96,423 of general fund in fiscal 1990 and \$93,980 in fiscal 1991 has been added to the budget to offset the lack of assessment income.

DEPARTMENT OF LIVESTOCK
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	117.71	\$1,503,405	\$8,936,970
LFA Current Level	<u>112.71</u>	<u>1,427,473</u>	<u>8,229,330</u>
Executive Over (Under) LFA	<u>--5.00</u>	<u>\$ ---75,932</u>	<u>\$ ---707,640</u>

The differences between the executive budget and LFA current level primarily are: 1) a \$28,414 biennial difference created because LFA current level includes a 4 percent vacancy savings factor while the executive budget has applied a 2 percent vacancy savings factor; 2) a \$23,334 increase for overtime; 3) the executive budget includes 1.00 FTE and \$33,909 for the biennium more in the Meat and Poultry Inspection Program than LFA current level; 4) the executive budget includes \$17,635 per year more for contracted veterinarians; 5) LFA current level for the Inspection and Control Program was reduced \$21,500 per year because of fiscal 1988 vacancy savings being transferred to operating expenses; 6) the executive budget included \$97,184 more for the Predator Control Program's contracted predator control and helicopter maintenance; 7) the executive budget has \$100,318 more for equipment than LFA current level; 8) the executive budget has a different general fund funding ratio in the Centralized Services Division which reduced the general fund by \$44,034 for the biennium; and 9) the executive budget includes three budget modifications which total \$114,851 in fiscal 1990 and \$170,848 in fiscal 1991.

ISSUE 1: VACANCY SAVINGS

A \$28,414 difference has been created because in the Centralized Services Division, Disease Control, and Meat Inspection Program the executive budget has a 2 percent vacancy savings factor and LFA current level has a 4 percent vacancy savings factor. The net result is the executive budget being \$28,414 greater than LFA current level, of which \$4,900 is general fund.

ISSUE 2: INSPECTION AND CONTROL OVERTIME

The executive budget includes a \$23,334 biennial increase for overtime in the Inspection and Control Program. LFA current level reflects fiscal 1988 expenditures.

ISSUE 3: MEAT AND POULTRY INSPECTION POSITION

The executive budget adds 1.00 FTE and \$33,909 more for the Meat and Poultry Inspection Program than LFA current level. LFA current level was based upon the number of positions filled in October 1988. The department requested an additional 1.00 FTE which has been included in the executive budget. The funding for the position is 50 percent general fund and 50 percent federal funds.

ISSUE 4: CONTRACT VETERINARIANS

The executive budget contains an additional \$17,635 per year to contract with local veterinarians for services if a state veterinarian was not located in a particular area. The funding for contracted veterinarians would be animal health funds.

ISSUE 5: INSPECTION AND CONTROL REDUCTION

The executive budget includes \$21,500 per year in operating expenses for the Inspection and Control Program that had been added by transferring funds from personal services. During fiscal 1988 the department transferred \$42,000 to equipment and \$21,500 to operating expenses from personal services. LFA current level does not continue expenditures related to those transfers.

ISSUE 6: PREDATOR CONTROL

The executive budget includes \$97,184 more for the biennium than LFA current level for contracted predator control and maintenance for the predator control helicopter. The contracted predator control is an additional \$32,033 per year over what was expended in fiscal 1988. The executive budget includes an additional \$16,559 per year to maintain the department's helicopter over the amount expended in fiscal 1988. The increases would be financed by the assessment on livestock.

ISSUE 7: EQUIPMENT

The executive budget includes \$100,318 more for equipment than LFA current level. LFA current level was based upon a three-year average (fiscal 1986-1988) of equipment expenditures.

ISSUE 8: GENERAL FUND - STATE SPECIAL REVENUES

In the Centralized Services Division the executive budget included \$44,034 more general fund and less state special revenue than LFA current level. LFA current level was developed using a 14 percent general fund to 86 percent state special revenue fund ratio which was the funding approved by the 1987 legislature. The executive budget uses a 19.3 percent general fund to 80.7 percent state special revenue ratio.

ISSUE 9: BUDGET MODIFICATIONS

The executive budget has three budget modifications which would add 2.00 FTE in fiscal 1990 and 4.00 FTE in fiscal 1991. The cost of the three budget modifications would be \$114,851 in fiscal 1990 and \$170,848 in fiscal 1991. There is no general fund associated with these three budget modifications. The funding for the three modifications is either federal or state special revenue funds. Table A details the three recommended budget modifications.

Table A
Department of Livestock Budget Modifications

<u>Budget Modification</u>	<u>FTE</u>	<u>FY90 Total Funds</u>	<u>FY91 Total Funds</u>
1. Accounting Clerk - Centralized Services	1.00	\$ 16,610	\$ 16,621
2. Lab Specialists - Diagnostic Laboratory	1.00	48,241	40,568
3. Ten-Year Brands Rerecord	2.00	50,000	113,659
Total Budget Modifications	<u>4.00</u>	<u>\$114,851</u>	<u>\$170,848</u>

Accounting Clerk - Centralized Services Budget Modification - is to meet federal reporting and accounting requirements for new statewide meat inspection services. One FTE accounting clerk II is 100 percent federal funded.

Laboratory Specialists - Diagnostic Laboratory Budget Modification - is for an additional 0.50 FTE in clinical pathology and 0.50 FTE in serology and a microplate reader and washer. This modification is to provide more rapid and cost-effective disease-testing procedures on sheep, swine, and cattle. Funding is 100 percent state special revenue.

Ten-Year Brands Rerecord - Budget Modification - is for \$50,000 in fiscal 1990 for brand-digitizing equipment and new programming which will enable automatic imprinting of brand images on rerecord notices and new certificates. In fiscal 1991 the costs would be \$113,659 for 2.00 FTE temporary administrative assistants and rerecord expenses. The department also is requesting language authority in the general appropriations act that a budget amendment would be considered to meet the emergency requirements if the funds requested in this budget modification are not sufficient to complete the rerecord.

DEPARTMENT OF LIVESTOCK

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	107.71	126.61	112.71	112.71	5.00
Personal Services	\$2,945,476	\$3,350,224	\$3,056,496	\$3,063,508	(2.79)
Operating Expenses	981,861	993,497	955,905	942,742	(3.88)
Equipment	168,274	137,544	99,911	110,768	(31.11)
Total Operating Costs	\$4,095,611	\$4,481,265	\$4,112,312	\$4,117,018	(4.05)
Non-Operating Costs	-0-	2,000	-0-	-0-	(100.00)
Total Expenditures	<u>\$4,095,611</u>	<u>\$4,483,265</u>	<u>\$4,112,312</u>	<u>\$4,117,018</u>	<u>(4.07)</u>
<u>Fund Sources</u>					
General Fund	\$ 719,100	\$ 747,162	\$ 713,236	\$ 714,237	(2.65)
State Special	3,350,511	3,579,203	3,240,187	3,243,847	(6.43)
Federal Revenue	26,000	156,900	158,889	158,934	73.77
Total Funds	<u>\$4,095,611</u>	<u>\$4,483,265</u>	<u>\$4,112,312</u>	<u>\$4,117,018</u>	<u>(4.07)</u>

Program Description

The Department of Livestock consists of the Animal Health Division, the Brands-Enforcement Division, the Centralized Services Division, and the Diagnostic Laboratory Division. The Animal Health Division includes the Disease Control Program, the Milk and Egg Program, and a newly created Meat and Poultry Inspection Program. The Brands-Enforcement Division includes the Inspection and Control Program and the Predatory Animal Control Program. The Crimestoppers Program is administratively attached to the Centralized Services Division.

The Board of Livestock has the duties and powers of a department head as provided in Section 2-15-112, MCA. The board consists of seven members appointed by the Governor with the consent of the Senate. Each member must be a resident of Montana and an active livestock producer. The executive secretary serves at the pleasure of the board. The executive secretary is responsible for ensuring that the department functions in a manner consistent with the directives, policies, and rules of the board and the laws of Montana.

Budget

The 5.0 FTE increase between fiscal 1988 and fiscal 1990 is caused by the following changes. First, the department has eliminated a 0.80 FTE in Disease Control and a 0.20 FTE in the Milk and Egg Program. Second, 6.0 FTE are added to the Meat Inspection Program. In fiscal 1988 the department added 3.0 FTE to the Meat Inspection Program of the 12 authorized. As of September 1988, the department had added 6.0 additional FTE to bring the total number of FTE in

the Meat Inspection Program to 9.0. The 9.0 FTE are continued in the 1991 biennium current level. From "Appropriated Fiscal 1989" there is a reduction of 13.90 FTE. The reduction is caused by: 1) the department eliminating 9.90 FTE in the Inspection and Control Program; 2) the appropriated budget for fiscal 1989 included 12.0 FTE for the Meat Inspection Program, whereas the 1991 biennial current level only contains 9.0 FTE; and 3) the 0.80 FTE reduction in Disease Control and the 0.2 FTE reduction in the Milk and Egg Program.

Personal Services decrease by 2.79 percent because of the reduction in the Meat Inspection Program from what was appropriated.

Funding

The 2.65 percent decrease in general fund reflects the 3.0 FTE decrease in the Meat Inspection Program, which were financed 50 percent general fund and 50 percent federal fund. Funding changes also reflect a \$10,000 decrease of general fund and a federal fund increase of \$10,000 in the Milk and Egg Program.

State special revenues are primarily the Inspection and Control Fund and the Animal Health Fund. Table 1 shows the cash flow analysis of the Inspection and Control Fund for the 1989 and 1991 biennium.

Table 1
Four-Year Cash Flow Analysis of the Inspection and Control Fund

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$1,827,513	\$1,934,607	\$1,794,947	\$1,955,095
Adjustment	2,636	-0-	-0-	-0-
<u>Revenues</u>				
Livestock License & Permits	\$ 215,795	\$ 111,000	\$ 110,000	\$ 110,000
Livestock General Tax	1,261,514	1,338,000	1,300,000	1,300,000
Inspection/Testing	648,268	635,000	635,000	635,000
Interest	94,307	85,000	90,000	90,000
Other	<u>224,806</u>	<u>228,100</u>	<u>228,100</u>	<u>147,100</u>
Total Funds Available	\$4,274,839	\$4,331,707	\$4,158,047	\$4,237,195
<u>Disbursements</u>				
Centralized Services	\$ 180,232	\$ 172,355	\$ 180,111	\$ 176,971
Inspection and Control	1,913,499	2,078,118	1,808,055	1,813,628
Predator Control	231,501	271,287	199,786	201,619
Rabies Control	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Total Disbursements	<u>\$2,340,232</u>	<u>\$2,536,760</u>	<u>\$2,202,952</u>	<u>\$2,207,218</u>
Ending Balance	<u>\$1,934,607</u>	<u>\$1,794,947</u>	<u>\$1,955,095</u>	<u>\$2,029,977</u>

The Livestock License and Permits are brand fees of \$35 paid by an individual to transfer a brand or buy a new brand. The Livestock General Tax is the livestock per capita tax. Approximately two-thirds of the tax goes to the Inspection and Control Fund, and one-third goes to the Animal Health Fund. The

Inspection/Testing fee is the 35 cent charge to inspect an animal's brand when an animal is sold and when it is bought. Therefore, a sales transaction costs the seller 35 cents and the buyer 35 cents.

Table 2 shows the cash flow analysis of the Animal Health Fund for the 1989 and 1991 bienniums.

Table 2
Four-Year Cash Flow Analysis of the Animal Health Fund

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$ 867,633	\$ 894,961	\$ 838,518	\$ 790,283
Adjustment	382	-0-	-0-	-0-
<u>Revenues</u>				
Livestock General Tax	\$ 667,085	\$ 630,000	\$ 630,000	\$ 630,000
Inspection/Testing Fee	213,242	200,000	205,000	205,000
Interest	62,673	60,000	60,000	60,000
Other	<u>94,213</u>	<u>96,000</u>	<u>94,000</u>	<u>94,000</u>
Total Funds Available	\$1,905,228	\$1,880,961	\$1,827,518	\$1,779,283
<u>Disbursements</u>				
Centralized Services	\$ 180,232	\$ 172,356	\$ 180,111	\$ 176,971
Diagnostic Lab	404,703	378,356	404,121	405,878
Disease Control	<u>425,332</u>	<u>491,731</u>	<u>453,003</u>	<u>453,780</u>
Total Disbursements	<u>\$1,010,267</u>	<u>\$1,042,443</u>	<u>\$1,037,235</u>	<u>\$1,036,629</u>
Ending Balance	<u>\$ 894,961</u>	<u>\$ 838,518</u>	<u>\$ 790,283</u>	<u>\$ 742,654</u>

The livestock tax is the livestock per capita tax, of which approximately one-third goes to the Animal Health Fund. The Inspection/Testing fee is the laboratory fees charged to examine samples at the lab.

CENTRALIZED SERVICES

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	8.00	8.00	8.00	8.00	0.00
Personal Services	\$266,116	\$273,000	\$260,780	\$261,298	(3.16)
Operating Expenses	147,896	126,370	152,582	133,851	4.44
Equipment	5,442	-0-	5,500	16,411	302.63
Total Expenditures	\$419,454 =====	\$399,370 =====	\$418,862 =====	\$411,560 =====	1.42 =====
Fund Sources					
General Fund	\$ 58,981	\$ 54,659	\$ 58,640	\$ 57,618	2.30
State Special	360,473	344,711	360,222	353,942	1.27
Total Funds	\$419,454 =====	\$399,370 =====	\$418,862 =====	\$411,560 =====	1.42 =====

Program Description

The Centralized Services Division is responsible for the accounting, budgeting, payroll, personnel, legal services, purchasing, and general services functions of the department.

Budget

The current level budget includes \$7,687 vacancy savings (4 percent) which was not included in the 1988 budget. The current level operating expenses include a \$1,328 increase for audit costs in fiscal 1990. The audit costs are appropriated for the biennium in the fiscal 1990 budget and therefore do not appear in the fiscal 1991 budget. Also in the current level operating expenses are \$2,300 per year increases for SBAS on-line entry and edit, and \$3,457 in fiscal 1990 and \$3,615 in fiscal 1991 for rent increases. Buildings and grounds maintenance costs were reduced by \$2,178 in fiscal 1990 and \$2,471 in fiscal 1991. The reductions reflected one-time building renovations made in fiscal 1988.

Equipment is the amount the agency requested. Fiscal 1991 includes a vehicle for the executive secretary.

Funding

This program is funded with general fund and by a per-head assessment on livestock. In the 1987 biennium, the legislature developed a funding formula of 15 percent general fund and 85 percent state special revenue to finance the Centralized Services Division. With the department's 5 percent reduction in general fund mandated by the legislature for fiscal 1988 and 1989, the general fund percentage for the 1989 biennium is approximately 14 percent. The ratio of 14 percent general fund was used to finance the 1991 biennial appropriations.

DIAGNOSTIC LABORATORY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	18.00	18.00	18.00	18.00	0.00
Personal Services	\$522,375	\$501,214	\$514,278	\$515,676	0.62
Operating Expenses	184,459	171,272	190,671	192,354	7.67
Equipment	3,362	11,200	4,036	4,036	(44.57)
Total Expenditures	\$710,196 =====	\$683,686 =====	\$708,985 =====	\$712,066 =====	1.95 =====
Fund Sources					
General Fund	\$305,494	\$305,330	\$304,864	\$306,188	0.04
State Special	404,702	378,356	404,121	405,878	3.44
Total Funds	\$710,196 =====	\$683,686 =====	\$708,985 =====	\$712,066 =====	1.95 =====

Program Description

This program provides laboratory support for the Disease Control, Milk and Egg Programs, and to veterinarians and livestock producers. The laboratory protects the public health by testing dairy products and performing diagnostic tests on suspected rabies cases and other zoonotic diseases. Testing on wildlife and small animals is performed upon request.

Budget

In fiscal 1988, the department transferred in funds to finance overtime costs. The workload at the laboratory increased by 14 percent and the existing staff worked overtime to meet the work demands. In fiscal 1988, the department transferred the clinical pathology work from a contractual arrangement with Montana State University to an in-house function. To accomplish the clinical pathology work, the department upgraded a laboratory aide position (grade 6) to a medical technician (grade 14). The increased personnel costs were offset by a reduction in contractual costs. In the 1991 biennium, no overtime is included in the current level base, which reduces the current level base by \$8,000 per year.

Operating expenses were increased by \$3,873 in fiscal 1990 and \$4,450 in fiscal 1991 to reflect increased costs charged by Montana State University for janitorial and maintenance services. Other minor operating expenses increased the current level by \$2,339 in fiscal 1990 and \$3,445 in fiscal 1991.

The current level equipment amount reflects a three-year (fiscal 1986-1988) adjusted average of equipment expenditures. The department had requested \$27,364 for equipment in fiscal 1990 and \$27,750 in fiscal 1991.

Funding

This program was financed approximately 50 percent by general fund and 50 percent by animal health funds. In fiscal 1988, the legislature applied a 10 percent reduction in general fund; this changed the financing percentage to 43 percent general fund and 57 percent state special revenue. The same percentages were applied to the 1991 biennium current level base.

The animal health fund account receives approximately one-third of the per-head assessment on livestock. The fund also receives laboratory fees and charges.

DISEASE CONTROL PROGRAM					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	12.30	12.30	11.50	11.50	(0.80)
Personal Services	\$322,664	\$390,820	\$361,565	\$361,839	1.39
Operating Expenses	79,056	76,847	79,492	79,995	2.30
Equipment	23,613	22,064	11,946	11,946	(47.69)
Total Operating Costs	\$425,333	\$489,731	\$453,003	\$453,780	(0.90)
Non-Operating Costs	-0-	2,000	-0-	-0-	(100.00)
Total Expenditures	\$425,333 =====	\$491,731 =====	\$453,003 =====	\$453,780 =====	(1.12) =====
Fund Sources					
State Special	\$425,333 =====	\$491,731 =====	\$453,003 =====	\$453,780 =====	(1.12) =====

Program Description

The functions of the Disease Control Program are as follows: 1) provide diagnosis, prevention, control, and eradication of animal diseases and disorders; 2) maintain a disease surveillance system; 3) provide education and information on animal diseases and disorders to the livestock industry, the veterinary profession, and the public at large; 4) conduct applied research into the causes, transmissibility, and control of animal diseases and disorders; 5) enforce sanitary standards and inspect animals at livestock auction markets; 6) monitor and enforce import-export requirements applied to livestock; and 7) assist the Department of Health and Environmental Sciences in the control of animal diseases transmissible to man.

Budget

The department eliminated one word processing operator position in fiscal 1988 because of insufficient revenue to support this position. This reduction is carried forward into the 1991 biennium. In fiscal 1988, 0.20 FTE were

transferred from the Milk and Egg Inspection Program to the Disease Control Program. The net result of both transfers was a decrease of 0.80 FTE from the fiscal 1988 appropriation to the current level base.

In fiscal 1988 the program did not expend all of the salaries appropriated to the program because 40 percent of the division administrator's time was charged to the Meat Inspection Program, along with 20 percent of the three veterinarians' time. Approximately \$41,000 in salaries were financed by the Meat Inspection Program. This was a one-time shift in responsibilities to start up the Meat Inspection Program.

The current level appropriation for equipment was determined from the three-year average (fiscal 1986-1988) for equipment expenditures by this program. The appropriation is \$11,946 per year. The department had requested \$31,932 for equipment in fiscal 1990 and \$26,734 in fiscal 1991.

Funding

The Animal Health Fund account receives approximately one-third of the per-head assessment on livestock. The fund also receives laboratory fees and charges.

MILK AND EGG PROGRAM					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	6.20	6.20	6.00	6.00	(0.20)
Personal Services	\$175,807	\$183,719	\$172,392	\$172,811	(3.98)
Operating Expenses	22,491	22,879	22,443	22,659	(0.59)
Equipment	11,938	18,562	14,100	14,100	(7.54)
Total Expenditures	\$210,236 =====	\$225,160 =====	\$208,935 =====	\$209,570 =====	(3.88) =====
Fund Sources					
General Fund	\$190,233	\$205,160	\$178,935	\$179,570	(9.33)
Federal Revenue	20,003	20,000	30,000	30,000	49.99
Total Funds	\$210,236 =====	\$225,160 =====	\$208,935 =====	\$209,570 =====	(3.88) =====

Program Description

This program is responsible for insuring that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. The program provides for licensing, sampling, laboratory testing, and product and site inspecting done in cooperation with other state and federal agencies.

Budget

In fiscal 1988, 0.20 FTE was transferred to the Disease Control Program. The current level budget for this program is equal to fiscal 1988 expenditures except for equipment which was increased by \$2,162 per year. The equipment current level amount equals the three-year average (fiscal 1986-1988) of equipment expenditures. The department had requested \$21,991 for equipment in fiscal 1990 and \$22,180 in fiscal 1991.

Funding

This program is funded primarily with general fund. The federal government contributes \$25,000 per year for inspecting poultry products for the school lunch program and for the egg shell surveillance program. The current level includes \$30,000 per year of federal funds because at the end of fiscal 1988 there was a fund balance of \$16,700 in the federal account. Therefore, the \$5,000 per year of surplus is being used in the current level. The \$30,000 of federal funds is an increase of \$10,000 per year over the amount appropriated in the 1989 biennium.

INSPECTION AND CONTROL PROGRAM

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	59.21	69.11	59.21	59.21	0.00
Personal Services	\$1,524,425	\$1,738,252	\$1,487,104	\$1,491,207	(8.72)
Operating Expenses	280,743	265,148	258,126	259,596	(5.16)
Equipment	108,332	74,718	62,825	62,825	(31.36)
Total Expenditures	\$1,913,500	\$2,078,118	\$1,808,055	\$1,813,628	(9.27)
<u>Fund Sources</u>					
State Special	\$1,913,500	\$2,078,118	\$1,808,055	\$1,813,628	(9.27)

Program Description

This program is responsible for theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of livestock security interests, dealer licensing, and hide and beef inspection.

Budget

During the 1989 biennial budget hearing, the department indicated that due to lack of revenue, additional positions may have to be eliminated. The department's projection proved correct and in fiscal 1988 the department eliminated 9.90 FTE from this program. The positions were 8.00 FTE brand inspectors and 1.90 FTE clerical. This reduction is continued into the 1991 biennium.

The 8.72 percent reduction in personal services reflects: 1) a 4 percent vacancy savings factor applied to the 1991 biennium level, which compares to no vacancy savings being applied in the 1989 biennium; and 2) the fiscal 1989 budget includes funding for the 9.90 FTE which were eliminated.

The department transferred \$21,500 of personnel savings to operating expenses and \$42,000 to equipment. The \$21,500, when added to \$42,000 transferred from personal services to equipment, is approximately equal to what a 4 percent vacancy savings factor would have been. Therefore, it appears as if the department transferred the amount, which would have been the program's vacancy savings, to operating expenses and equipment. In an effort to treat all agencies equally, the \$21,500 transferred to operating expenses from personal services has been eliminated from the current level. The \$21,500 transferred to operating expenses included \$10,000 for supplies and materials, \$7,000 for travel, and \$4,500 for other expenses. These transfers are not continued in the current level. These are the only significant operating expense changes to the current level base.

The current level equipment base is the three-year average (fiscal 1986-1988) of equipment expenditures. The department had requested \$70,490 for equipment in fiscal 1990 and \$96,139 in fiscal 1991.

Funding

This program is funded by the Inspection and Control Fund. The Inspection and Control Fund receives approximately two-thirds of the per-head assessment on livestock and other inspection fees.

PREDATORY ANIMAL CONTROL PROGRAM

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal <u>1988</u>	Fiscal <u>1989</u>	Fiscal <u>1990</u>	Fiscal <u>1991</u>	1989-91 <u>Biennium</u>
F.T.E.	1.00	1.00	1.00	1.00	0.00
Personal Services	\$ 42,101	\$ 42,367	\$ 41,972	\$ 42,279	(0.26)
Operating Expenses	189,401	218,920	157,814	159,340	(22.33)
Equipment	-0-	10,000	-0-	-0-	(100.00)
Total Expenditures	<u>\$231,502</u>	<u>\$271,287</u>	<u>\$199,786</u>	<u>\$201,619</u>	<u>(20.16)</u>
<u>Fund Sources</u>					
State Special	<u>\$231,502</u>	<u>\$271,287</u>	<u>\$199,786</u>	<u>\$201,619</u>	<u>(20.16)</u>

Program Description

This program offers protection to livestock producers by controlling certain types of predators that kill or injure domestic livestock.

Budget

The fiscal 1988 expenditures were used as the basis for the 1991 biennium. The only change was that insurance costs were reduced \$5,988 in fiscal 1990 and \$4,938 in fiscal 1991, and aircraft maintenance was reduced by \$27,132 per year. The reduction in aircraft maintenance reflects the three-year average of aircraft maintenance costs. The \$1,500 in operating expense increase from fiscal 1990 to fiscal 1991 reflects inflationary increases.

Funding

This program is funded by an assessment on livestock based on taxable value and a \$75,000 grant from the Department of Fish, Wildlife, and Parks.

RABIES AND RODENT CONTROL					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	<u>\$57,223</u>	<u>\$60,113</u>	<u>\$56,909</u>	<u>\$56,928</u>	<u>(2.98)</u>
Total Expenditures	<u>\$57,223</u> <u>=====</u>	<u>\$60,113</u> <u>=====</u>	<u>\$56,909</u> <u>=====</u>	<u>\$56,928</u> <u>=====</u>	<u>(2.98)</u> <u>=====</u>
<u>Fund Sources</u>					
General Fund	\$42,222	\$45,113	\$41,909	\$41,928	(4.01)
State Special	<u>15,001</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>(0.00)</u>
Total Funds	<u>\$57,223</u> <u>=====</u>	<u>\$60,113</u> <u>=====</u>	<u>\$56,909</u> <u>=====</u>	<u>\$56,928</u> <u>=====</u>	<u>(2.98)</u> <u>=====</u>

Program Description

This program attempts to prevent exposure of domestic animals and humans to rabid animals.

Budget

The fiscal 1988 expenditures were used as the basis for the 1991 biennium base.

Funding

This program is funded by general fund and a \$15,000 per year grant from the Department of Fish, Wildlife, and Parks.

MEAT AND POULTRY INSPECTION PROGRAM

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	3.00	12.00	9.00	9.00	6.00
Personal Services	\$ 91,988	\$220,852	\$218,405	\$218,398	39.63
Operating Expenses	20,592	51,948	37,868	38,019	4.61
Equipment	15,587	1,000	1,504	1,450	(82.19)
Total Expenditures	<u>\$128,167</u>	<u>\$273,800</u>	<u>\$257,777</u>	<u>\$257,867</u>	<u>28.28</u>
Fund Sources					
General Fund	\$122,170	\$136,900	\$128,888	\$128,933	(0.48)
Federal Revenue	<u>5,997</u>	<u>136,900</u>	<u>128,889</u>	<u>128,934</u>	<u>80.43</u>
Total Funds	<u>\$128,167</u>	<u>\$273,800</u>	<u>\$257,777</u>	<u>\$257,867</u>	<u>28.28</u>

ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Meat/Poultry Inspect. Program				
Option A: Rep. Gen. Fund	\$(128,800)	\$(128,800)	\$(128,800)	\$(128,800)
Option B: Ratio Funding	-0-	-0-	-0-	-0-
Option C: Current Level	-0-	-0-	-0-	-0-

Program Description

The Montana Meat and Inspection Act of 1987 provides the authority for this program whose function will be to implement and enforce a state meat inspection program equal to the inspection system maintained by the U.S. Department of Agriculture, Food Safety Inspection Service. The goal of the program is provided for in the Federal Wholesome Meat Act. It is the intent that this program, within the Animal Health Division, will provide a state certified supply of wholesome Montana meat products for retail consumption. By providing a state program under federal standards, it is anticipated that more Montana-raised products make their way into Montana-based processing plants.

Budget

During fiscal 1988, this program was initiated and had expenditures of \$128,167. According to the department, there will be 9.00 FTE working on the inspection program in September 1988. Therefore, the current level base reflects funding for 9.00 FTE. The start-up operating expenses in fiscal 1988 were \$20,592. Operating expenses and equipment are included at the agency's request for each fiscal year.

Funding

Fifty percent of the program is funded with state general fund and 50 percent by federal funds from the Federal Department of Agriculture. In fiscal 1988 the general fund financed \$122,170 of the \$128,167 in program expenditures. The federal government would not cost share expenses until the state was designated by the federal government to inspect. On June 6, 1988, the state received the designation to inspect and since that point in time, the federal government has financed 50 percent of the program's expenses.

ISSUE 1: MEAT AND POULTRY INSPECTION PROGRAM

In 1987 the legislature created a state meat and poultry inspection program (hereafter referred to as the state meat inspection program) and located the program within the Department of Livestock. The legislative intent for creating a state meat inspection program was stated by Representative Gene Donaldson when he presented the bill to the House Appropriations Committee. Representative Donaldson stated: "He is trying to put the state back into the meat packing business and keep the small meat packers in business." Also at the house hearing were a number of individuals in the meat business who stated that the federal agency which was inspecting the state's meat businesses was causing Montana's small meat packers to go out of business.

On the surface there would appear to be no financially rational reason for a state to get into the meat inspection business. To assure the public that their meat is wholesome, not adulterated, and properly marked, labeled, or packaged, the U.S. Department of Agriculture, Food Safety Inspection Service is required to inspect meat slaughtering and processing facilities. This inspection of meat facilities is 100 percent federally funded.

The federal meat inspection act does allow states to institute a meat inspection program if the state's meat inspection program's standards meet or exceed federal requirements. But the federal government will provide only 50 percent of the operational costs of a state meat inspection program. The one limitation which the federal statutes place upon state meat inspection programs is that state inspected meats cannot be shipped interstate. To ship meat products interstate requires that the meat products be stamped with a federal meat inspection stamp.

Since from a financial perspective a state's meat processing industry could be inspected by federal meat inspectors at no cost to the state, why would a state opt to fund a state meat inspection program where the state is required to finance 50 percent of the program's costs? The answer to that question appears to be that a state meat inspection program works with the meat processing business better than the federal inspection program. According to Mr. Jim Beveridge, head of the Utah Meat Inspection Program, federal inspectors aren't as considerate as state inspectors in regards to the financial ability of plant owners to modernize facilities. For example, Mr. Beveridge stated that Utah's program works with the individual plant owners to develop a plan for updating facilities and equipment. The plan developed cooperatively by the state and the plant owner is designed to work within the economic resources of the plant owner. Facility sanitation requirements are no less enforced by state inspectors, but along with sanitation requirements the state meat inspection program recognizes

the importance of working with businesses because they are important to the state's economy.

Mr. Beveridge's comments were echoed by small meat facilities around Montana. In conversations with representatives of meat facilities who have applied for or are now receiving state inspection, the overwhelming statement was that the facilities could not financially operate if required to have federal meat inspection. The federal meat inspectors would not work with the small facilities as would the state program.

We were unable to obtain any objective evidence of the state program's effect on keeping meat slaughter and processing facilities in business. However, since the state program has started, 26 custom exempt meat facilities have applied for official status.

What is Meat Inspection?

The meat processing industry has two types of meat processing facilities; an official facility and a custom exempt facility. An official facility is a facility which either slaughters animals or is a processing facility in which non-meat ingredients are blended with meat products. There are many official facilities which are both slaughter and processing facilities.

A custom exempt facility is a facility which may purchase inspected meats from an official facility, and break the meat into component parts. For example, an exempt facility may purchase an inspected and stamped beef carcass and cut the carcass up into roasts, steaks, ground beef, etc. An exempt facility may also do custom slaughtering and processing of meats for the animal's owner. None of the meat products from custom slaughter can be sold to the public.

The basic components of a meat inspection program are: 1) to conduct ante-mortem and post-mortem inspections at official slaughter facilities to insure that no diseased animals are processed; 2) to enforce sanitary requirements and conduct sanitary inspections at both official and exempt facilities; 3) to set standards and regulate the ingredients which can be added to meat and poultry products; and 4) to set standards and regulate the labeling and marking of meat and poultry products.

Because there are different types of meat facilities the amount and type of inspections required by those facilities varies. All meat facilities whether official or exempt receive sanitary inspections. Exempt facilities are inspected quarterly for the sanitary condition of the facility. If a facility has persistent sanitary problems it is inspected on a more regular basis.

Official facilities which slaughter animals require a field inspector at all times in which animals are being slaughtered. The inspector must check each animal prior to slaughter to insure that it is healthy. The inspector must also check the animal after it has been killed to insure that the animal is disease free. If an inspector sees an animal which he believes is sick, then a veterinarian is called to examine the animal before it is slaughtered. The veterinarian after examining the animal makes the final decision of whether the animal gets slaughtered.

In official processing facilities the inspections are daily and on a spot check basis. The field inspector inspects the processing procedures to insure that only the approved amounts and types of ingredients are being added to the meat. The

inspector also checks to insure that only meat parts specified in an approved recipe are being included in the processing and that the ingredients stated on the label are the ingredients in the processed product.

Meat Inspection in Montana

Prior to the state meat inspection program the meat industry in Montana was regulated by the Department of Agriculture, Food Safety Inspection Service. The federal meat inspection agents inspected 55 official facilities and approximately 166 exempt facilities in Montana. The fiscal note which accompanied House Bill 814 estimated that approximately 30 of the 55 official facilities would opt for state inspection if the state instituted a state meat inspection program. Also, it was anticipated that all of the 166 exempt facilities would come under state regulation, once the state program was operational.

The fiscal note estimated that the manpower needed for a state meat inspection program would be 11 field inspectors to inspect the 30 official and 166 exempt facilities. Also, the fiscal note proposed that the current veterinarian staff could supervise the field inspectors and that the cost equivalent of one veterinarian FTE would have to be included in the appropriation. The enacted version of House Bill 814 appropriated 12 FTE and \$278,800 in fiscal 1988 and \$273,800 in fiscal 1989 for the state meat inspection program. The funding for the program was 50 percent general fund and 50 percent federal funds.

As stated in the previous paragraph, the fiscal note in House Bill 814 was developed using a projection that approximately 30 of the state's 55 official facilities would switch from federal inspection to state inspection. To date, that pattern has not developed. Instead of the federally inspected facilities applying for state inspection, the majority of applicants for state inspection have been exempt facilities wanting to expand and become official facilities.

As of November 3, 1988, there were three official slaughter facilities and one processing plant which were being inspected by the state program. Four other slaughter facilities and nine processing plants were having their applications reviewed by the state for inspection. Sixteen other facilities had applied to the state to come under the state meat inspection program. If all of the applications are approved, there would be 33 official facilities and approximately 140 exempt facilities. The number of exempt facilities decline because most of the facilities applying for official status are exempt facilities. Of the 33 facilities which have been approved as official state inspected plants or have applied for state inspection, only seven are current federally inspected facilities. The remaining 26 are exempt facilities or new facilities.

The official facilities which are currently federally inspected have not applied for state inspection because they are waiting to see if the state program will survive. According to the chief federal meat inspector in Billings and the chief state meat inspector, the federally inspected plants do not want to drop federal inspection until they feel assured that the state will maintain it's program. If a federally inspected plant were to drop federal inspection for state inspection, and then the state pulled out of the program, it would be a burdensome process to reapply for federal inspection.

Because the fiscal note for the state meat inspection program was based upon federally inspected facilities becoming state inspected facilities and not upon exempt facilities becoming official facilities, the budget for the program may be

understated. The budget would be understated if the 30 federally inspected facilities plus the 26 exempt facilities were to all require state inspection.

Table 3 details the inspection of Montana's meat facilities by federal and state inspectors at three different points in time. First, the inspection of meat facilities prior to the implementation of the state meat inspection program and the projection by the fiscal note of the makeup of meat inspection after the implementation of the state meat inspection program. Second, the current status, as of November 1988, of meat inspection. Third, the Legislative Fiscal Analyst's projection of the potential number of facilities that may be qualified for state inspection.

Table 3
Inspection of Montana's Meat Facilities

	<u>Per State Program</u>	<u>Fiscal Note Estimate</u>	<u>Current Status 11-3-88</u>	<u>Potential LFA Estimate</u>
Federal Inspection				
Official	55	25	52	25-35
Exempt	166	0	0	0
State Inspection				
Official	0	30	4	35-50
Exempt	0	166	166	140-150*

* A reduction in exempt facilities is projected because some exempt facilities will become official facilities.

Estimated Costs of a Fully Staffed State Meat Inspection Program

Projecting the staffing and financial needs of a state meat inspection program is based on the number of official facilities that need inspection, the days during which they need inspection, and the location of the plants. The largest component of the staffing needs is field inspectors. The federal meat inspection program has 26 full time field inspectors and three relief inspectors, inspecting 52¹ official facilities in Montana. This is an average of approximately two facilities per field inspector. In Utah there are 21 field inspectors inspecting 39 official and 68 exempt facilities. According to Mr. Beveridge, Utah has approximately 1.5 official slaughtering facilities per field inspector and four official processing facilities per field inspector. Utah's exempt facilities are inspected by the field inspectors on a quarterly basis. Utah also has two administrative positions and one clerical for a total of 24 FTE.

¹In the winter of 1987, when the meat inspection bill was discussed by the legislature, there were 55 official meat facilities inspected by the USDA. As of November 1988, the number of official facilities has been reduced to 52. One of the facilities is now being inspected by the state and two facilities have gone out of business.

Utah has been used as a state meat inspection program example because, according to a Montana state meat inspection official, the Montana program has been designed after the Utah program. There is one significant difference between Montana and Utah with respect to meat inspection. In Utah most of the official facilities are located in the Salt Lake City area. This allows Utah to locate 15 out of 21 of the field inspectors within a 100 mile radius of Salt Lake City. With such a concentration of facilities, travel time and costs are reduced because of the relatively shorter distances. This permits a field inspector the opportunity to inspect more plants per day. In Montana there is no one area that has a significant concentration of facilities. Therefore, travel time and associated costs will be greater in Montana.

If Montana is to continue in meat inspection and inspect any and all facilities that apply for and are qualified for state inspection, it is probable that the state will need a staff of 20 to 24 FTE. This projection assumes that 20 to 30 of the federally inspected facilities opt for state inspection and 15 to 20 exempt and new facilities' applications are approved. The state would then have 35 to 50 official facilities to regulate plus the exempt facilities. The 35 to 50 official facilities are equal to Utah's number of official facilities.

To inspect 35 to 50 facilities would require a staff and budget twice the current level budget. The 1991 biennium current level includes 9.00 FTE and \$257,800 per year, with \$128,900 general fund and \$128,900 federal funds. If the budget were doubled the general fund costs would increase by \$128,900 per year. Given these potential future costs does the legislature wish to continue the state meat inspection program, or eliminate the program and return the inspection responsibilities to the federal government?

- Option A: Eliminate the program and reduce general fund expenditures by \$128,800 per year.
- Option B: Continue the program with the current level funding and reexamine the program and it's cost in the next legislative session.
- Option C: Continue a limited meat inspection program at the current level allowing the department to deny applications if current staff is unable to inspect them efficiently.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	248.20	\$ 4,819,413	\$26,973,626
LFA Current Level	<u>234.20</u>	<u>9,958,341</u>	<u>21,776,600</u>
Executive Over (Under) LFA	<u><u>14.00</u></u>	<u><u>\$(5,138,928)</u></u>	<u><u>\$ 5,197,026</u></u>

The differences between LFA current level and the executive budget primarily are: 1) different vacancy savings factors applied to personal services which result in the executive budget being \$220,578 greater than LFA current level; 2) 5.00 FTE and related funding which are not included in LFA current level; 3) an executive proposal to appropriate \$775,000 for the biennium for state water projects; 4) the executive proposal to expend \$72,000 to develop operational, maintenance, and emergency warning plans for high-hazard dams; 5) \$20,000 for expert legal counsel for the Reserved Water Rights Compact Commission; 6) \$2,563,000 for costs related to future bond sales and interest subsidies on existing bonds; 7) the executive proposal to use RIT interest, alternative energy fund, and the water development fund to reduce general fund expenditures by \$5,615,248 for the biennium; and 8) six budget modifications which add 9.00 FTE at a cost of \$819,548 in fiscal 1990 and \$424,041 in fiscal 1991.

ISSUE 1: VACANCY SAVINGS

The executive budget has a 2 percent vacancy savings factor in most of the department's divisions and programs compared to a 4 percent factor used in LFA current level. The 2 percent difference results in the executive budget being \$220,578 greater than LFA current level. The general fund portion of the difference is \$35,420.

ISSUE 2: POSITION DIFFERENCES

LFA current level has eliminated 5.00 FTE which are included in the executive budget. First, in its 1991 biennium budget request, the department identified three positions which were no longer needed in the Centralized Services Division and proposed adding the FTE to three other divisions. The department proposed eliminating a purchasing position in the Centralized Services Division and adding the FTE to the Conservation District Division to meet the additional workload created in the division by legislation passed in recent legislative sessions. A 0.50 FTE research specialist and a 0.50 FTE records technician were eliminated in the Centralized Services Division and added to the Water Resource Division to create a planner position to work on the State Water Plan. The third position was to be added to the Energy Division. Because the three positions are no longer needed in the Centralized Services Division to perform current level activities the LFA current level did not include them. The executive has recommended the reclassification of the positions as requested by the department

and has funded the position added to the Energy Division with oil overcharge funds. The net difference between LFA current level and the executive budget is 3.00 FTE, \$95,272 general fund, and \$58,001 oil overcharge funds. As of December 1988, 1.50 FTE of the 3.00 FTE positions were vacant.

The second difference is 1.00 FTE which is an accounting technician position that the department proposed be transferred from the Water Engineering Bureau to the Water Planning Bureau. In recommending the position be transferred the department requested that the position be reclassified as a planner to work on the State Water Plan. Because the position is no longer needed in the Engineering Bureau the LFA did not include the position in the current level. The executive budget contains the position transferred and \$54,070 as requested by the department.

The third difference is 1.00 FTE oil and gas field inspector position that was vacant throughout fiscal 1988. LFA current level does not include the position while the executive budget includes the position and \$43,953 of oil and gas revenues to fund the position.

ISSUE 3: REHABILITATION OF STATE WATER PROJECTS

The executive budget has a \$775,000 biennial appropriation for the rehabilitation of state-owned water projects. The appropriation would be financed with water development funds. LFA current level does not include funding for the rehabilitation of state-owned water projects. As Table 4 in the current level analysis indicates, there is an estimated \$3.0 million of water development funds available. These funds can be used to fund the rehabilitation of state-owned water projects and water development grants in the 1991 biennium. If the \$775,000 is approved the \$3.0 million would be reduced to \$2.2 million.

ISSUE 4: EMERGENCY WARNING PLANS FOR STATE-OWNED DAMS

The executive budget includes \$72,000 of water development funds for consultants to assist the department with developing operational, maintenance, and emergency warning plans for high-hazard state-owned dams. The executive budget also includes a modified for this purpose which is discussed on page 5. A high-hazard dam is a dam which stores 50 acre-feet or more of water.

ISSUE 5: RESERVED WATER RIGHTS COMPACT COMMISSION'S CONSULTANT SERVICES

The Reserved Water Rights Compact Commission requested, and the executive budget includes, an additional \$10,000 per year for expert legal counsel. LFA current level continues the fiscal 1988 expenditure level of \$3,000, while the executive has proposed \$13,000 per year. The executive increase is 50 percent general fund and 50 percent RIT interest.

ISSUE 6: BOND PAYMENTS - STATUTORY APPROPRIATION

The executive budget includes \$2,563,000 of coal tax revenues for costs associated with existing and future coal severance tax bond issues. LFA current

level does not include and funding for future bond issues because bond issue costs are statutorily appropriated. The executive estimates that there will be \$10 million of bonds sold in the 1991 biennium, the sale cost will be \$563,000, and the reserve requirement will be \$1,000,000. The remaining \$1,000,000 is the executive's estimate of the coal tax needed to subsidize debt service payments on existing coal severance tax bonds.

ISSUE 7: RIT INTEREST - GENERAL FUND FUNDING SHIFT

The executive budget continues to use of resource indemnity trust interest (RIT) in many of the department's divisions and programs. Table A details the executive budget's use of RIT interest. The executive budget allocates \$2,400,000 RIT interest to fund department operational expenses.

Table A Executive Budget Use of Resource Indemnity Trust Interest			
<u>Division</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>Total</u>
Centralized Services	\$ 107,950	\$ 106,650	\$ 214,600
Conservation Districts	373,176	372,952	746,128
Water Resources			
Water Management	373,100	385,622	758,722
Reserved Water Right			
Compact Commission	108,074	108,316	216,390
Administration	90,000	90,000	180,000
New Water Right	12,334	435	12,769
Dam Safety	135,366	136,025	271,391
Total Department	<u>\$1,200,000</u>	<u>\$1,200,000</u>	<u>\$2,400,000</u>

LFA current level did not use RIT interest to fund operating expenses because Section 15-38-202(2), MCA, allocates the RIT interest for specific purposes which do not include funding departmental operating expenses. General fund, which was the funding source prior to the use of RIT interest, was used in LFA current level. However, paragraph 3 of Section 15-38-202, MCA, permits the executive to propose alternative uses of RIT interest provided that the recommendation is presented in a formal budget document.

ISSUE 8: ALTERNATIVE ENERGY - GENERAL FUND FUNDING SHIFT

In the 1989 biennium the legislature appropriated the coal tax portion of the alternative energy fund for the operations of the Department of Commerce's Science and Technology Program. In LFA current level, \$931,600 of the alternative energy fund continues to finance the Science and Technology Program. The executive budget finances Science and Technology with general fund and uses all of the alternative energy funds for operational expenses of the Department of Natural Resources and Conservation.

The result of this recommendation is to reduce general fund in the Department of Natural Resources by \$2,788,217 below LFA current level.

The use of \$2,788,217 of alternative energy funds reflects two changes from LFA current level. First, the executive proposes \$2,721,026 of new alternative energy funds to replace general fund. Second, the executive has shifted \$67,191 of the Energy Division's Conservation Program funding from alternative energy to federal funds and used the \$67,191 of alternative energy funds to replace a like amount of general fund in other department programs.

Based upon LFA revenue estimates, the executive's recommended expenditures of alternative energy funds will overexpend available funds by \$675,796 by the end of the 1991 biennium. Table B details the expenditure amounts recommended in the executive budget, the LFA revenue estimates, and the projected negative balance of \$675,796 at the end of the 1991 biennium.

Table B
Executive Budget Alternative Energy Fund Cash Flow
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Fund Balance	\$ 434,663	\$ 510,139	\$ 25,506
<u>Revenues</u>			
Interest	\$ 59,100	\$ 49,400	\$ 42,300
Principal Repayments	168,000	131,500	134,000
Coal Tax	1,020,297	914,717	824,256
Other	<u>2,000</u>	<u>-0-</u>	<u>-0-</u>
Total Funds Available	\$1,684,060	\$1,605,756	\$1,026,062
<u>Disbursements</u>			
Science and Technology Alliance	\$ 895,500	\$ -0-	\$ -0-
DNRC Energy Division	252,336	628,916	633,908
DNRC Water Resources	-0-	908,048	1,018,844
DNRC Conservation Dist.	-0-	340	9,000
DNRC Centralized Serv. Div.	<u>26,085</u>	<u>42,946</u>	<u>40,106</u>
Total Disbursements	<u>\$1,173,921</u>	<u>\$1,580,250</u>	<u>\$1,701,858</u>
Ending Fund Balance	<u><u>\$ 510,139</u></u>	<u><u>\$ 25,506</u></u>	<u><u>\$(675,796)</u></u>

ISSUE 9: WATER DEVELOPMENT-GENERAL FUND SHIFT FUNDING SHIFT

The executive budget uses water development funds for the Water Management Program. The result is that the executive budget appropriates \$338,771 less general fund for the program and replaces the general fund with water development funds. If the legislature accepts this recommendation, the funds available for state-owned water projects and water development grants will be reduced from \$3.0 million to \$2.7 million.

ISSUE 10: WATER RESOURCE DIVISION BUDGET MODIFICATIONS

The executive budget contains six budget modifications for the Water Resources Division. The modifications would add 9.00 FTE to the department and \$819,548 in fiscal 1990 and \$424,041 in fiscal 1991. The general fund portion of the modifications is \$61,194 in fiscal 1990 and \$58,863 in fiscal 1991. Table C details the proposed budget modifications.

Table C
Water Resource Division Budget Modification

<u>Modification</u>	<u>FTE</u>	<u>- - - Fiscal 1990 - -</u>		<u>- - - Fiscal 1991 - -</u>	
		<u>General Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Total</u>
Reclamation and Develop.					
Grant Administration	0.50	\$ -0-	\$ 15,726	\$ -0-	\$ 15,727
High-Hazard Dams	1.00	-0-	40,000	-0-	40,000
Broadwater Dam	2.00	-0-	229,843	-0-	217,960
Missouri River Reserv.	3.00	-0-	461,785	-0-	80,491
Water Rights Permits	1.00	24,873	35,873	22,500	33,500
Water Adjudication	1.50	36,321	36,321	36,363	36,363
Total Budget Modifications	<u>9.00</u>	<u>\$61,194</u>	<u>\$819,548</u>	<u>\$58,863</u>	<u>\$424,041</u>

The reclamation and development grant administration budget modification would add 0.50 FTE to monitor the reclamation and development grants that are authorized by the legislature. The position is to be financed with RIT interest.

The purpose of the high-hazard dam budget modification is to comply with current law by developing operating plans for eight state-owned high-hazard dams within the mandated five-year renewal cycle. The 1.00 FTE in this budget modification would be financed with water development funds.

The Broadwater Dam budget modification proposes to add 2.00 FTE and related operating expenses and equipment for operation of the Broadwater hydro-facility. The budget modification would be financed with income earned from hydropower generation.

The Missouri River reservation budget modification is to implement a 1985 legislative mandate to complete comprehensive water reservations proceedings in the Missouri River Basin by December 31, 1991. The budget modification is to be funded with water development funds and environmental impact statement fees be paid by federal agencies and the state's Department of Health and Environmental Sciences and Department of Fish, Wildlife, and Parks.

The water rights permit budget modification would create 1.00 FTE position to allow the department to enforce water use permits and authorizations or to invest water right-related complaints. The position would be financed with general fund and water rights appropriation fees.

The water rights adjudication budget modification would add 1.50 FTE which would allow records and administrative activities of the water adjudication process to continue. This budget modification relates to Issue 2 because 1.50 of the 3.00 FTE which the department stated were not necessary in Centralized Services would be reestablished with this budget modification. The positions would be financed by general fund.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	248.30	252.30	234.20	234.20	(14.10)
Personal Services	\$ 6,351,720	\$ 6,378,811	\$ 6,257,433	\$ 6,267,989	(1.61)
Operating Expenses	10,784,375	5,860,698	4,694,856	2,971,816	(53.94)
Equipment	<u>262,449</u>	<u>139,462</u>	<u>185,260</u>	<u>163,205</u>	<u>(13.30)</u>
Total Operating Costs	\$17,398,544	\$12,378,971	\$11,137,549	\$ 9,403,010	(31.02)
Non-Operating Costs	<u>2,816,069</u>	<u>28,864,242</u>	<u>617,735</u>	<u>608,306</u>	<u>(96.13)</u>
Total Expenditures	<u>\$20,214,613</u>	<u>\$41,243,213</u>	<u>\$11,755,284</u>	<u>\$10,011,316</u>	<u>(64.58)</u>
<u>Fund Sources</u>					
General Fund	\$ 3,774,531	\$ 3,875,864	\$ 4,977,699	\$ 4,980,642	30.17
State Special	13,488,044	29,921,692	3,978,184	3,957,852	(81.72)
Federal Revenue	<u>2,952,038</u>	<u>7,445,657</u>	<u>2,799,401</u>	<u>1,072,822</u>	<u>(62.76)</u>
Total Funds	<u>\$20,214,613</u>	<u>\$41,243,213</u>	<u>\$11,755,284</u>	<u>\$10,011,316</u>	<u>(64.58)</u>

Program Description

The Department of Natural Resources and Conservation is responsible for the maintenance and enhancement of Montana's land, water, and energy resources. The department's duties include administration of water rights, permits, and records; management of state-owned water projects; dam safety; weather modification permits and licenses; international, interstate, and Indian compact negotiations and agreements; water-related studies and planning; floodplain management; and provision of technical and financial assistance for development of water and other renewable resource projects.

Supervision, assistance, funding, and coordination are provided to local conservation and grazing districts in their stewardship of the soil and water resources necessary to sustain agriculture. Activities include regulation of projects affecting streams, assistance for small watershed projects, soil survey planning, and provision of low-interest loans for rangeland improvement.

Proposed major energy generation, conversion, and transmission facilities are evaluated, and the construction and operation of approved facilities are monitored. Other activities involve petroleum fuels monitoring, special studies concerning energy supplies and demand, and emergency energy planning.

Several programs promote energy conservation, while grants and loans are provided for projects involving renewable energy sources. The production of oil and gas is regulated to prevent waste and environmental damage.

Budget

The 14.10 FTE reduction reflects the following adjustments. First, 3.00 FTE which the department proposed transferring from Centralized Services to other divisions have been removed from current level. In proposing that the positions be transferred, the department is recommending that the purposes and the functions of the positions change. Therefore, the positions have not been included in the current level so the legislature would have the opportunity to judge whether the proposed functions are needed. Second, a 1.00 FTE field inspector position in the Oil and Gas Division, which was vacant all of fiscal 1988, was not included in the current level. Third, 4.00 FTE are added to the Oil and Gas Division current level to reflect the Underground Injection Program. Fourth, in fiscal 1988 the Water Resources Division was appropriated 1.00 FTE to assist local governmental units prepare applications for water reservations on the Missouri River. The department also created 2.00 additional FTE by transferring funds from consulting services to personal services. The 2.00 additional FTE were created to assist local governmental units. As had been the past legislative policy, the Missouri River Reservation process has been removed from the current level and will be treated as a budget modification. Therefore, the 3.00 FTE have been removed from the current level. Fifth, a 1.00 FTE dam safety position appropriated in fiscal 1989 is contained in the 1991 biennial current level. Sixth, 8.10 FTE for facility siting and environmental analyses are not included in the current level. It has been the legislative practice to appropriate a lump sum amount in an operating expense line item for facility siting and environmental analyses. Therefore, personal services expenditures for analyses have been removed from the current level budget. Seventh, 4.00 FTE appropriated to administer the oil overcharge appropriations have been removed from the current level. Eighth, a 1.00 FTE deputy director position which was appropriated in fiscal 1989 is continued in the current level. Ninth, 1.0 FTE water engineering position which the department proposed transferring to Water Management has been removed from the current level. Table 1 details the changes in FTE.

Table 1
Change in FTE from Fiscal 1988 to Fiscal 1990

	<u>FTE</u>
Fiscal 1988 FTE	248.30
Changes	
Reduction of Centralized Services FTE	(3.00)
Reduction of Vacant Oil and Gas Field Inspector	(1.00)
Underground Injection Program	4.00
Missouri River Reservation Process	(3.00)
Water Engineering	(1.00)
Dam Safety	1.00
Facility Siting	(8.10)
Oil Overcharge	(4.00)
Deputy Director	<u>1.00</u>
Fiscal 1990 Current Level FTE	<u><u>234.20</u></u>

The 53.9 percent reduction in operating expenses reflects the following changes. First, a \$34,906 increase in legislative audit costs from fiscal 1988 to 1990 occurs. In the 1989 biennium, the legislative audit costs were reflected in the fiscal 1989 appropriation. The net increase in the biennium in legislative audit costs is \$5,040. Second, the Underground Injection Program is funded in the 1991 biennium current level. This program increases operating expenses by \$149,700 in fiscal 1990 and \$152,600 in fiscal 1991. Third, included in fiscal 1988 Water Resource Division expenditures is \$8,275,053 for water development, RIT interest, and Renewable Resource grants. These grants were appropriated in House Bill 6 and House Bill 7 and are not included in the current level. Fourth, \$250,600 of state water project expenditures are not included in the current level operating expenses. Fifth, \$59,500 of expenditures for Missouri River water reservations were not included in the 1991 biennium current level. Sixth, in the Energy Division, the fiscal 1990 current level contains two biennial appropriations: \$1,650,000 for Rock Creek Mitigation and \$40,000 for mitigating the impacts of the Colstrip-Townsend 500-KV transmission line. Seventh, \$996,400 per year is appropriated in the current level for facility siting and environmental analyses. Eighth, reductions of \$269,500 in one-time expenditures in the Energy Division are included each year. Ninth, a \$59,000 reduction in Energy Division contracted services occurs.

The reduction in non-operating costs primarily reflects the exclusion of House Bill 6 and House Bill 7 expenditures and appropriations from the current level.

Funding

The 30.2 percent increase in general fund is a result of the replacement of Resource Indemnity Trust (RIT) interest with general fund in the Water Resources, Conservation Districts, and Centralized Services Divisions. The replacement has been made because Section 15-38-202, MCA, allocates 100 percent of RIT interest to specific purposes, and all past uses of RIT interest other than those statutorily specified have been financed in the 1991 biennium current level with general fund. This financing increases the general fund appropriation by \$985,326 in fiscal 1990 and \$988,138 in fiscal 1991.

The Department of Natural Resources and Conservation has four state special revenue funds which finance a significant portion of the department's budget. These funds are the resource indemnity trust interest account, the water development account, the renewable resource development account, and the alternative energy account. A brief description of each fund follows, including a cash flow analysis which details the projected revenues and expenditures for fiscal years 1989 through 1991.

Resource Indemnity Trust

The resource indemnity trust tax is levied at a rate of \$25 plus 0.5 percent on the gross value of mineral production. It is due on March 1 for production in the previous calendar year and is deposited to the RIT trust, which is a nonexpendable trust established in the Montana Constitution. The majority of the trust is invested in long-term corporate bonds and federal securities.

Table 2 shows the projected distribution of resource indemnity trust fund interest earnings for fiscal years 1989 through 1991. For fiscal 1989, 30 percent of the interest is allocated to the water development program, 12 percent to the

Department of Health and Environmental Sciences for the hazardous waste/CERCLA program, and 58 percent to the RIT grant program and agency operations. In the 1991 biennium, the environmental contingency fund receives a statutory appropriation of \$175,000. The remainder of the interest is allocated 30 percent to the water development state special revenue account, 12 percent to the hazardous waste/CERCLA program, 8 percent to the renewable resource development program, 46 percent to the reclamation and development grants, and 4 percent to the environmental quality protection fund.

As Table 2 shows, \$6.6 million is available for reclamation and development grants in the 1991 biennium.

Table 2
Resource Indemnity Trust Interest
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$1,151,482	\$ -0-	\$ 3,124,260
Revenue	<u>6,590,846</u>	<u>7,131,010</u>	<u>7,633,466</u>
Total Funds Available	\$7,742,328	\$7,131,010	\$10,757,726
Expenditures			
30 Percent Water Development	\$1,977,254	\$2,086,803	\$ 2,290,040
12 Percent Hazardous Waste	790,902	834,721	916,016
8 Percent Renewable Resource Dev.	-0-	556,481	610,677
4 Percent Environmental Protection	-0-	278,240	305,338
Agency Operations	2,427,265	10,000	10,000
Water Policy Committee	16,170	26,200	-0-
Environmental Contingency	172,250	175,000	-0-
Clark Fork	90,000	39,305	-0-
RIT Grant Administration	70,000	-0-	-0-
RIT Grant Program	<u>2,198,487</u>	<u>-0-</u>	<u>-0-</u>
Total Appropriations	<u>\$7,742,328</u>	<u>\$4,006,750</u>	<u>\$ 4,132,071</u>
Ending Fund Balance	\$ -0- =====	\$3,124,260 =====	\$ 6,625,655 =====

Renewable Resource Development

The renewable resource development fund, provided for in Section 90-2-101, MCA, is used to make grants and loans to the public for development of renewable natural resources. The fund receives 0.475 percent of the coal severance tax in fiscal years 1989 through 1991. In the 1991 biennium, it will also receive 8 percent of the RIT interest remaining after the \$175,000 appropriation to the environmental contingency fund has been met.

Table 3 shows the projected revenues and expenditures within the renewable resource development account. Based on the current level analysis, an estimated \$2.1 million is available to fund renewable resource development projects in the 1991 biennium.

Table 3
Renewable Resource Development Fund
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$ 962,723	\$ 935,028	\$ 1,523,708
<u>Revenues</u>			
Coal Tax	\$ 283,416	\$ 254,088	\$ 228,960
Interest on Bond Proceeds	41,000	12,000	12,000
Loan Repayments	50,000	95,786	95,786
RIT Interest	<u>-0-</u>	<u>556,481</u>	<u>610,677</u>
Total Revenues	\$ 374,416	\$ 918,355	\$ 947,423
Total Funds Available	\$1,337,139	\$1,853,383	\$2,471,131
<u>Expenditures</u>			
Debt Service	\$ 119,575	\$ 119,575	\$ 119,575
DNRC - Centralized Services	8,565	14,500	14,500
- Water Resources Division	65,000	130,000	130,000
- Conservation Districts	65,600	65,600	65,600
RRD Grants	<u>143,371</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	\$ 402,111	\$ 329,675	\$ 329,675
Ending Fund Balance	<u><u>\$ 935,028</u></u>	<u><u>\$1,523,708</u></u>	<u><u>\$2,141,456</u></u>

- - - - - Statutory Allocation of 1991 Biennium Revenues - - - - -

Timber Stand Improvement	15%	\$ 321,218
Water Development Projects	40	856,582
Conservation Districts	10	214,146
Montana Rangeland Resource Act	15	321,218
Agricultural Land Improvements	15	321,218
DNRC Designated Projects	<u>5</u>	<u>107,074</u>
Total	100%	<u><u>\$2,141,456</u></u>

Water Development Fund

The water development fund was created in 1981 to advance the beneficial use of water through financing water development projects and activities. Revenue sources for the fund include 30 percent of RIT interest (after the appropriation to the environmental contingency fund has been met), 0.475 percent of the coal severance tax, loan repayments, and income from state-owned water projects.

Table 4 details the revenue and expenditures within the water development fund. Operating expenses in the Department of Natural Resources and Conservation and in the Water Courts are supported by water development funds in fiscal years 1989 through 1991. Based on the current level analysis, an estimated \$3.0 million is available to fund state-owned water projects and water development grants in the 1991 biennium.

Table 4
Water Development Fund
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$1,700,012	\$1,284,309	\$2,004,678
<u>Revenues</u>			
Coal Tax	\$ 283,416	\$ 254,088	\$ 228,960
30 Percent RIT Interest Earnings	1,977,253	2,086,803	2,290,040
Loan Repayments	357,852	446,400	446,400
Project Revenues	202,000	202,000	202,000
Interest on Bond Proceeds	18,350	20,000	20,000
Administrative Fees	<u>9,000</u>	<u>20,000</u>	<u>9,000</u>
Total Revenues	<u>\$2,847,871</u>	<u>\$3,029,291</u>	<u>\$3,196,400</u>
Total Funds Available	\$4,547,883	\$4,313,600	\$5,201,078
<u>Expenditures</u>			
Debt Service	\$ 607,895	\$ 614,480	\$ 598,432
Water Courts	469,664	439,368	432,599
DNRC - Centralized Services	116,868	118,000	117,500
- Water Resources Division	1,181,121	1,012,074	1,007,261
- State-Owned Water Projects	374,359	-0-	-0-
Water Policy Committee	39,126	-0-	-0-
Emergency Grants	125,000	125,000	-0-
Water Development Grants	<u>349,541</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>\$3,263,574</u>	<u>\$2,308,922</u>	<u>\$2,155,792</u>
Ending Fund Balance	<u>\$1,284,309</u>	<u>\$2,004,678</u>	<u>\$3,045,286</u>

Alternative Energy Fund

The alternative energy fund, created in Section 90-4-101 through 112, MCA, is used "to stimulate research, development, and demonstration of energy conservation and of energy sources which are harmonious with ecological stability by virtue of being renewable...(and) to stimulate the commercialization of alternative renewable energy and to allow the department to make loans through financial institutions in Montana."

The fund receives 1.71 percent of the coal severance tax and repayments on alternative energy loans. Table 5 shows the projected revenue and expenditures within the alternative energy fund for fiscal years 1989 through 1991.

Table 5
Alternative Energy Fund
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Fund Balance	\$ 434,663	\$ 510,139	\$ 864,464
<u>Revenues</u>			
Interest	\$ 59,100	\$ 49,400	\$ 42,300
Principal Repayments	168,000	131,500	134,000
Coal Tax	1,020,297	914,717	824,256
Other	2,000	-0-	-0-
Total Revenues	<u>\$1,249,397</u>	<u>\$1,095,617</u>	<u>\$1,000,556</u>
Total Funds Available	\$1,684,060	\$1,605,756	\$1,865,020
<u>Expenditures</u>			
Science and Technology Alliance	\$ 895,500	\$ 460,014	\$ 471,486
DNRC Energy Division	252,336	253,398	252,264
DNRC Centralized Serv. Div.	26,085	27,880	27,760
Total Expenditures	<u>\$1,173,921</u>	<u>\$ 741,292</u>	<u>\$ 751,510</u>
Ending Fund Balance	<u><u>\$ 510,139</u></u>	<u><u>\$ 864,464</u></u>	<u><u>\$1,113,510</u></u>

CENTRALIZED SERVICES

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	41.00	42.00	39.00	39.00	(2.00)
Personal Services	\$1,080,328	\$1,178,879	\$1,110,266	\$1,112,458	(1.61)
Operating Expenses	379,659	443,699	427,474	390,906	(0.60)
Equipment	20,329	2,275	11,343	7,814	(15.25)
Total Operating Costs	\$1,480,316	\$1,624,853	\$1,549,083	\$1,511,178	(1.45)
Non-Operating Costs	23,143	-0-	10,417	10,417	(9.98)
Total Expenditures	<u>\$1,503,459</u>	<u>\$1,624,853</u>	<u>\$1,559,500</u>	<u>\$1,521,595</u>	<u>(1.51)</u>
<u>Fund Sources</u>					
General Fund	\$ 981,708	\$1,043,093	\$1,216,522	\$1,214,090	20.04
State Special	346,425	350,717	260,478	259,255	(25.45)
Federal Revenue	175,326	231,043	82,500	48,250	(67.82)
Total Funds	<u>\$1,503,459</u>	<u>\$1,624,853</u>	<u>\$1,559,500</u>	<u>\$1,521,595</u>	<u>(1.51)</u>

Program Description

The Centralized Services Division provides managerial, legal, and administrative support services for the department. The division is responsible for budgeting, accounting, purchasing, data processing, publications, and inventory support. Also included in the division's budget is the funding for the Board of Natural Resources and Conservation.

Budget

The current level budget reflects a net reduction of 2.00 FTE. The reduction is caused by: 1) 3.00 FTE which the department proposed being transferred to other divisions (1.00 FTE to Energy Division, 1.00 FTE to Conservation Districts Division, and 1.00 FTE to Water Resources Division) have been eliminated in the current level; and 2) the deputy director's position, which is included in the fiscal 1989 budget, is continued in the 1991 biennial budget.

Personal services is reduced by 1.6 percent, which reflects the reduction of the 2.00 FTE. In fiscal 1988 this division had a 9.1 percent vacancy savings rate. For the 1991 biennium, a 4.0 percent vacancy savings rate was applied. The current level budget also includes a \$2,237 per year increase from fiscal 1988 for Board of Natural Resources and Conservation per diem. In fiscal 1988 the board had four meetings. Current level includes funding for seven meetings.

The 0.6 percent decrease in operating expenses includes the following. First, \$6,878 per year transferred from the other divisions for board legal expenses. In fiscal 1988 the board's legal expenses were financed in other

divisions. The current level has consolidated the legal expenses. Second, board travel increases \$2,945 per year. With the increase of three board meetings, travel was increased to accommodate the increased number of meetings. Third, insurance decreased by \$5,374 in fiscal 1988 and \$4,625 in fiscal 1989. Fourth, legislative audit costs increase \$5,040 in fiscal 1990. The 1989 biennial appropriation for legislative audit costs was partially expended in fiscal 1988 (\$1,067) and the remainder (\$29,866) has been added to the fiscal 1989 appropriation. Fifth, contracted services are reduced \$7,505 per year. Sixth, rent is increased \$16,644 in fiscal 1990 and \$17,454 in 1991. Seventh, computer software rental is reduced \$3,080 per year. Eighth, computer maintenance is reduced \$8,600 per year. Ninth, ground maintenance increases \$3,800 per year. Tenth, statewide indirect costs increase \$2,600 per year. Eleventh, other inflationary adjustments adjust the budget slightly.

Funding

The current level base includes funding from most of the department's state special revenue accounts and federal accounts. The following rates were generally applied to state special revenue accounts with some minor exceptions: a 6 percent overhead rate to those accounts which support personnel only, an 11 percent overhead rate to those accounts which support personnel and grants, and a federal indirect rate of 15 percent in fiscal 1990 and 9 percent in fiscal 1991. Table 6 details the percentage of overhead used for each revenue account and the amount of revenue from each account used to finance the Centralized Services Division.

Table 6
Centralized Services Funding

	- - Percentage - -		Fiscal	Fiscal
	1990	1991	1990	1991
Rangeland ¹	11	11	\$ 9,000	\$ 9,000
Major Facility Siting	15	9	10,000	10,000
Water Rights	6	6	4,500	4,500
Grazing Fees	6	6	500	500
Conservation District ²	6	6	6,098	5,495
Alternative Energy	11	11	27,880	27,760
Oil and Gas	6	6	70,000	70,000
Renewable Resources	11	11	14,500	14,500
Water Development ³	11	11	118,000	117,500
Federal Indirect	15	9	61,500	36,250
Oil Overcharge	15	9	21,000	12,000
Gen. Fund Centralized Services Div.	N/A	N/A	1,196,303	1,193,871
Gen. Fund Natural Res. and Cons. Brd.	100	100	20,219	20,219
Total			<u>\$1,559,500</u>	<u>\$1,521,595</u>

¹ Six percent applied to the rangeland and improvement loans.

² Six percent applied to amount request for conservation district grants.

³ Calculation does not include the \$800,000 appropriation for state water projects.

In the 1989 biennium, RIT interest was used to finance \$78,650 per year of the division's expenditures. Because Section 15-38-202, MCA, allocates 100 percent of RIT interest to specific appropriations, all past uses of RIT interest other than those statutorily specified have been refinanced with general fund. In the Centralized Services Division budget, this refinancing caused the general fund to increase by \$78,650, which is one of the primary causes of the 20 percent increase in general fund in the main table. The other cause of the general fund increase is the reduction in federal indirect funds which decrease by \$92,826 in fiscal 1990 and by \$127,076 in fiscal 1991. Federal indirect revenue decreases because the amount of federal grants projected to be received in the 1991 biennium is less than the 1989 biennium.

OIL AND GAS CONSERVATION DIVISION

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	22.00	26.00	25.00	25.00	3.00
Personal Services	\$517,617	\$ 670,422	\$ 636,891	\$ 636,408	7.18
Operating Expenses	208,330	346,575	326,189	329,699	18.20
Equipment	61,618	78,992	61,728	54,987	(16.99)
Total Operating Costs	\$787,565	\$1,095,989	\$1,024,808	\$1,021,094	8.62
Non-Operating Costs	3,169	2,905	1,227	1,227	(59.60)
Total Expenditures	\$790,734 =====	\$1,098,894 =====	\$1,026,035 =====	\$1,022,321 =====	8.40 =====
<u>Fund Sources</u>					
State Special	\$790,734 =====	\$1,098,894 =====	\$1,026,035 =====	\$1,022,321 =====	8.40 =====

Program Description

The Oil and Gas Conservation Division is responsible for preventing waste and providing for the conservation of crude oil and natural gas through regulation of exploration and production activities including: 1) issuance of drilling permits; 2) classification of wells; 3) establishment of well spacing units and pooling orders; 4) inspection of drilling, production, and seismic operations; 5) investigation of complaints; 6) engineering studies; and 7) collection and maintenance of complete well data and production information.

Also included in the Oil and Gas Conservation Division is the Underground Injection Control Program. The Underground Injection Control Program was created by House Bill 795 which passed the Fiftieth Legislature. House Bill 795 appropriated \$45,000 in fiscal 1988 and \$280,000 in fiscal 1989 for the program.

Budget

The 4.00 FTE increase from fiscal 1988 to fiscal 1989 reflects the four new positions from the Underground Injection Control Program. The reduction of 1.00

FTE from fiscal 1989 to fiscal 1990 reflects a field inspector position which was vacant all of fiscal 1988 and has not been included in the current level.

The 7.2 percent increase in personal services reflects the continuation of the 4.00 FTE for the Underground Injection Control Program. The increase over fiscal 1988 is approximately \$104,000 per year. The percentage change also includes the reduction of 1.00 FTE which was a field inspector position. The position costs \$20,755 per year. In fiscal 1988, this program had a 14 percent vacancy savings. The high vacancy savings reflects 2.00 FTE which were vacant most of the fiscal year. Of the 2.00 FTE, 1.00 FTE has been removed in the current level. A 4 percent vacancy savings factor has been applied in the current level.

The 18.2 percent increase in operating expenses reflects the inclusion of the Underground Injection Control Program in the current level. Operating expenses for the program are budgeted at \$149,300 in fiscal 1990 and \$152,600 in fiscal 1991. Also eliminated from operating expenses are \$10,500 of consulting services and \$13,600 of one-time microfilm costs.

The current level equipment reflects the division's 1991 biennial budget request. Included in the request are three vehicles (\$45,222) in fiscal 1990 and two vehicles (\$31,052) in fiscal 1991. The equipment budget includes \$7,146 in fiscal 1990 for office equipment and \$21,355 in fiscal 1991. For computer software, the budget includes \$6,960 in fiscal 1990 and \$2,580 in fiscal 1991. The current level also includes \$2,400 in fiscal 1990 for engineering equipment.

Funding

The division is financed by the oil and gas conservation tax and user fees. The only exception to this is \$10,000 per year of RIT interest for the plugging of abandoned wells. The main sources of revenue for the oil and gas conservation division are user fees and the 0.2 percent tax on oil and gas produced in Montana. The 0.2 percent tax is set by the Board of Oil and Gas with the statutory maximum amount that can be levied being 0.2 percent. The second main source of income will be annual permit fees for underground injection wells. The board has not yet set the fee level but it is presumed it will be between \$200 and \$300 per injection well. At \$200 per well, the fee is estimated to generate \$280,000 per year. Table 7 details the four-year cash flow analysis of the oil and gas account for the 1989 and 1991 bienniums.

Table 7
Four-Year Cash Flow Analysis of the
Oil and Gas Conservation Account

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$ 338,123	\$ 472,590	\$ 306,686	\$ 463,651
<u>Revenues</u>				
Underground Injection Permits	\$ -0-	\$ -0-	\$ 280,000	\$ 280,000
Oil and Gas Well Tax (0.2%)	929,284	927,000	925,000	925,000
Interest	29,066	50,000	25,000	25,000
Other	<u>40,410</u>	<u>40,000</u>	<u>38,000</u>	<u>38,000</u>
Total Funds Available	\$1,336,883	\$1,489,590	\$1,574,686	\$1,731,651
<u>Disbursements</u>				
Centralized Services	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Oil and Gas Program	770,283	1,088,894	1,016,035	1,012,321
Department of Revenue	<u>24,010</u>	<u>24,010</u>	<u>25,000</u>	<u>25,000</u>
Total Disbursements	\$ 864,293	\$1,182,904	\$1,111,035	\$1,107,321
Ending Balance	<u>\$ 472,590</u>	<u>\$ 306,686</u>	<u>\$ 463,651</u>	<u>\$ 624,330</u>

CONSERVATION DISTRICTS DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	6.20	6.20	5.20	5.20	(1.00)
Personal Services	\$145,567	\$ 163,697	\$136,087	\$136,245	(11.94)
Operating Expenses	117,433	118,777	118,369	117,636	(0.09)
Equipment	3,685	1,156	1,976	1,976	(18.36)
Total Operating Costs	\$266,685	\$ 283,630	\$256,432	\$255,857	(6.91)
Non-Operating Costs	408,152	799,092	262,517	253,069	(57.29)
Total Expenditures	\$674,837 =====	\$1,082,722 =====	\$518,949 =====	\$508,926 =====	(41.52) =====
<u>Fund Sources</u>					
General Fund	\$ -0-	\$ -0-	\$346,109	\$345,534	N/A
State Special	582,712	1,080,019	170,137	160,689	(80.10)
Federal Revenue	92,125	2,703	2,703	2,703	(94.30)
Total Funds	\$674,837 =====	\$1,082,722 =====	\$518,949 =====	\$508,926 =====	(41.52) =====

ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Saline Seep Grant				
Option A: Eliminate				
Salinity Grant	\$(71,250)	\$ -0-	\$(71,250)	\$ -0-

Program Description

The Conservation Districts Division provides supervision, assistance, and coordination to the 59 conservation districts in the state. The primary responsibility of the division is to work with the local districts towards developing and implementing plans for proper management of land and water resources. Three advisory committees are administratively attached to the Conservation District Division: the Resource Conservation Advisory Committee, the Soil Survey Advisory Committee, and the Rangeland Resources Committee.

Budget

The 1.00 FTE reduction in personal services reflects the elimination of 1.00 FTE appropriated to administer the \$500,000 of oil overcharge funds appropriated to the division for grants to conservation districts. The position terminates at the end of fiscal 1989.

The 11.9 percent decrease in personal services is a result of the oil overcharge position being eliminated. In fiscal 1988 the division experienced a 15

percent vacancy savings. In the current level, all the positions are fully funded, and a 4 percent vacancy savings factor has been applied.

The 0.1 percent reduction in operating expenses reflects a \$1,018 per year reduction in computer maintenance and other minor adjustments.

The 18.4 percent reduction in equipment reflects the use of a three-year average of equipment expenditures as the current level base. The three years used in the average were fiscal 1986, 1987, and 1988.

The non-operating budget decreases by 57.3 percent. The major decrease is the elimination of the \$500,000 biennial appropriation of oil overcharge funds. The funds were appropriated for grants to conservation districts for emergency conservation. Also coal tax revenues for soil and water conservation projects in conservation districts are reduced by \$23,539 in fiscal 1990 and \$32,987 in fiscal 1991. The reduction results from projected coal tax revenues in the 1991 biennium being less than fiscal 1988. Table 8 details the current level non-operating budget.

Table 8
Funding for the Conservation District Division Non-Operating
1991 Biennium

<u>Program</u>	<u>Funding Source</u>	<u>FY90</u>	<u>FY91</u>
Conservation District Subsidy	General Fund	\$ 95,000	\$ 95,000
Saline Seep	General Fund	71,250	71,250
Conservation District Grants	Coal Tax	95,537	86,089
Computer Lease/Purchase Payment	General Fund	730	730
Total		<u>\$262,517</u>	<u>\$253,069</u>

Funding

The Conservation District Division is financed by a number of revenue sources. First, general fund and grazing district funds are appropriated to fund the division's administration, to finance the conservation district subsidy, and for the saline seep grants. Second, conservation district projects are financed by 0.19 percent of the coal severance tax. Third, renewable resources development funds are allocated to conservation districts for development of water reservations. For the 1991 biennium, the appropriation from the renewable resource development fund is \$65,600 per year. Finally, the budget includes \$3,000 per year of rangeland improvement loan funds for the administration of the loan program.

In the 1989 biennium, RIT interest was used to finance the division's administration, conservation districts subsidies, and the saline seep grants. Because Section 13-38-202, MCA, allocates 100 percent of RIT interest to specific appropriations, all past uses of RIT interest other than those statutorily specified have been refinanced with general fund. In the Conservation District Division's budget, this refinancing caused the general fund to increase by \$346,109 in fiscal

1990 and \$345,534 in fiscal 1991, which is indicated by the 100 percent increase in general fund in the main table.

ISSUE 1: SALINE SEEP GRANT

Included in the current level is a \$71,250 per year grant to the Montana Salinity Control Association (MSCA) for saline seep reclamation and prevention. MSCA operates a program of technical field assistance designed to correct saline seep and reclaim land on a farm-by-farm basis. The technical field team and equipment are stationed in Conrad, from where they serve the 10-county Triangle Conservation District, founder of the saline seep reclamation program, and 23 other counties which are included in the program.

The service area of MSCA was expanded to 23 other counties by the legislature in fiscal 1986 when it appropriated \$75,000 per year to MSCA. Because of later budget reductions, the fiscal 1987 appropriation was reduced to \$69,825. The \$75,000 per year was in addition to the \$150,000 RIT interest grant which MSCA received for the 1987 biennium for expanding the salinity control program. Therefore, for the 1987 biennium, the legislature appropriated \$294,825 for expansion of the salinity control program.

For the 1989 biennium, the legislature continued the funding of the expanded salinity control program in two appropriation bills. In the Conservation District's budget, the legislature appropriated \$71,250 per year for the program, and in House Bill 6, the RIT grant bill, the legislature appropriated \$300,000 for the biennium. Therefore, for the 1989 biennium, \$442,500 is authorized for salinity control.

The funding of the state grant to MSCA in the Conservation District Division budget has shifted between RIT interest and general fund almost every year since 1986. Table 9 details the funding history of the salinity control grant since it was first appropriated.

Table 9
Salinity Control Grants Appropriations History
Conservation District Budget

<u>Fiscal Year</u>	<u>General Fund</u>	<u>RIT Interest</u>
1986	\$ -0-	\$75,000
1987	69,825	-0-
1988	-0-	71,250
1989	-0-	71,250
1990*	71,250	-0-
1991	71,250	-0-

*Current level

The legislature may wish to consolidate the funding for MSCA in one appropriation bill. MSCA has had six years in which to prove the worthiness of its project and if it is of high enough priority it could receive all of its needed state support from the RIT grant bill. If the legislature were to remove the salinity control grant appropriation from the Conservation District budget, then the general fund could be reduced by \$71,250 per year. MSCA would not necessarily receive less funding from the state, because it would still be able to apply for an RIT grant for its fiscal needs. The grant application could be considered along with all other RIT applications and ranked and funded accordingly.

Option A: Remove the \$71,250 per year general fund grant to MSCA.

Option B: Continue the \$71,250 per year grant to MSCA.

WATER RESOURCES DIVISION					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	129.00	128.00	126.00	126.00	(3.00)
Personal Services	\$ 3,421,108	\$ 3,361,002	\$3,320,578	\$3,327,174	(1.98)
Operating Expenses	9,433,864	1,191,272	809,898	811,220	(84.74)
Equipment	156,456	47,492	94,766	85,724	(11.50)
Total Operating Costs	\$13,011,428	\$ 4,599,766	\$4,225,242	\$4,224,118	(52.02)
Non-Operating Costs	1,085,007	23,987,690	47,585	47,585	(99.62)
Total Expenditures	\$14,096,435 =====	\$28,587,456 =====	\$4,272,827 =====	\$4,271,703 =====	(79.98) =====
Fund Sources					
General Fund	\$ 2,357,681	\$ 2,381,653	\$2,975,753	\$2,979,442	25.65
State Special	11,417,117	26,118,663	1,247,074	1,242,261	(93.37)
Federal Revenue	321,637	87,140	50,000	50,000	(75.54)
Total Funds	\$14,096,435 =====	\$28,587,456 =====	\$4,272,827 =====	\$4,271,703 =====	(79.98) =====

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. These programs include the following:

Water Rights Program - Responsible for carrying out Article IX of the Montana Constitution and the Montana Water Use Act, which provides that any use of the state's waters is a public use, and that waters in the state are the property of the state, for the use of the people, and are subject to appropriations for beneficial use.

Water Adjudication Program - Responsible for the protection and confirmation of all rights to the use of any waters for any useful or beneficial purpose that existed prior to the effective date of the Montana Water Use Act of July 1, 1973.

State Water Projects - Responsible for providing engineering assistance to state water user associations and promoting safety and economic stability of state-owned water projects through professional engineering services.

Water Management Program - Responsible for providing technical information and assistance on hydrology, geohydrology, geology, and soils to water users and units of government and for the collection, compilation, and analysis of water and related land resources data, projection of future water requirements, and formulation of plans, alternatives, and methods of implementation to enable full utilization of these resources within the state.

Water Development Program - Responsible for administration of the state's Water Development and Renewable Resource Development Programs to allow full economic and social benefits from the state's water and other renewable resources.

Reserved Water Rights Compact Commission - Responsible for negotiating water rights agreements with federal agencies and Indian tribes which own reserved water rights in Montana.

Water Well Program - Responsible for monitoring the competence of water well drillers and contractors and preventing the waste and contamination of ground water resources.

Dam Safety Program - Responsible for ensuring the safety of high-hazard nonfederal dams of 50 acre-feet or over by regulating construction, operation, and maintenance.

Floodplain Management Program - Responsible for determining the floodways and one hundred-year floodplain boundaries for every watercourse and drainway in the state. Concurrent with this primary function is the management and regulation of flood-prone lands to prevent or alleviate flood threats to life and property.

Budget

The 3.00 FTE reduction reflects the following adjustments. First, 3.00 FTE working on the Missouri River Reservation Program are not continued in the current level. The legislature authorized 1.00 FTE and the department created the other 2.00 FTE by transferring funds from consulting services to personal expenses. The 3.00 FTE are not included in the current level because the Missouri River Reservation Program appropriation has historically been considered at each legislative session as a budget modification. Second, the department has identified 1.00 FTE which is no longer required in the Water Engineering Bureau. The department recommended transferring the position to the Water Management Bureau to supplement the Water Planning project. The position is not included in the current level because the legislature has not approved the expanded functions in the Water Management Bureau. Third, 1.00 FTE added in fiscal 1989 for the Dam Safety Program has been continued in the 1991 biennial current level. A 4 percent vacancy savings factor has been applied to this division in the current level.

The 84.7 percent reduction in operating expenses reflects a number of factors. First, fiscal 1988 expenditures include \$8,275,053 of appropriations made in accordance with House Bill 6 and House Bill 7. House Bill 6 appropriated \$3,740,961 of resource indemnity trust (RIT) interest for 27 grant projects, and House Bill 7 appropriated \$3,198,487 of water development and renewable resource funds in the form of grants and authorized \$57,270,885 of coal severance tax loans. Since loans are not considered appropriations, the \$57,270,885 in coal severance tax loans does not appear in the fiscal 1988 or fiscal 1989 columns except for \$25,168,650 for the Broadwater Dam Hydroelectrification. This project was included in the fiscal 1988 and fiscal 1989 columns because the department was administering the project and needed expenditure authority to use the funds. Therefore, a total of \$32,108,098 was appropriated from House Bill 6 and House Bill 7 and \$8,275,053 was expended in operating expenses in fiscal 1988.

Second, in fiscal 1988 the legislature made an \$800,000 biennial appropriation for state water projects in the non-operating category. The division expended \$250,641 of the appropriation in operating expense items.

Third, fiscal 1988 includes \$59,491 of operating expenditures for the Missouri River Water Reservations Program. This program is not in the 1991 biennial current level. Fourth, fiscal 1989 includes \$145,329 appropriated for the Missouri River Water Reservation Program.

The result of all these adjustments in the fiscal 1988 adjusted actual expenditures, from which the 1991 biennial current level budget was developed, is actual fiscal 1988 operating expenditures of \$848,679. Table 10 details these adjustments.

Table 10
Water Resources Division
Adjusted Operating Expenses for Fiscal 1988

Actual Fiscal 1988 Operating Expenditures	\$9,433,864
- HB6 and HB7 Expenditures	(8,275,053)
- State Water Projects Expenditures	(250,641)
- Missouri River Reservation Expenditures	<u>(59,491)</u>
Adjusted Actual Fiscal 1988 Operating Expenditures	<u>\$ 848,679</u>

Using the adjusted fiscal 1988 operating expenditures of \$848,679, the current level is reduced \$38,781 to get to fiscal 1989 current level. The \$38,781 reduction in operating expenses between fiscal 1988 adjusted and total fiscal 1990 is made of the following factors. First, \$4,400 per year of legal costs were transferred to the Board of Natural Resources and Conservation Budget. Second, \$11,488 expended to monitor water quality on the Poplar River and \$4,100 expended on water rights negotiations with Wyoming on the Powder River were not included in the current level. Third, the dues for the Missouri River Basin Water Association were reduced by \$8,500 per year because of reduced activity by Montana in the association. Fourth, multi-user computer maintenance costs were reduced \$14,600 per year. Fifth, an \$8,500 per year increase in single-user

computer maintenance occurred. Sixth, other adjustments reduced the current level \$4,281.

The current level for equipment contains the department's budget request. Some of the larger cost items included in the equipment current level are: a truck costing \$25,000 in fiscal 1990; two pickups costing \$25,000 in fiscal 1990; four pickups costing \$53,500 in fiscal 1991; office equipment and furniture of \$11,900 in fiscal 1990 and \$13,400 in fiscal 1991; computer equipment and software of \$29,100 in fiscal 1990 and \$23,900 in fiscal 1991; and other miscellaneous equipment.

Included in fiscal 1989 non-operating expenses is \$23,094,770 of grants from House Bill 6 and House Bill 7. These grants are not included in the current level. The exclusion is the primary reason why non-operating costs decrease 99.62 percent between the 1989 biennium and the 1991 biennium. The non-operating expenses budgeted in the current level includes \$32,687 for debt service payments and \$14,899 a year for the lease/purchase of the department computer system. Purposely excluded from the current level was continuation of the \$800,000 biennial appropriation for state water projects, so the legislature would be able to evaluate and prioritize all water development capital needs.

Funding

Table 11 details the current level funding of the Water Resources Division by program.

Table 11
Water Resource Division Current Level Funding

	General Fund	Water Wells Account	Water Develop.	Renewable Resource Develop.	Rights Approp.	Federal Funds	Total
-----Fiscal 1990-----							
Administration	\$ 97,000	\$ -0-	\$ 114,292	\$ -0-	\$ -0-	\$ -0-	\$ 211,292
Water Wells	5,954	30,000	-0-	-0-	-0-	-0-	35,954
Water Adjudication	559,925	-0-	-0-	-0-	-0-	-0-	559,925
New Water Rights	1,373,990	-0-	-0-	-0-	75,000	-0-	1,448,990
Water Management	610,427	-0-	-0-	-0-	-0-	-0-	610,427
Water Development	-0-	-0-	274,108	130,000	-0-	-0-	404,108
State Water Proj.	-0-	-0-	623,674	-0-	-0-	50,000	673,674
Res. Water Rights							
Compact Comm.	201,807	-0-	-0-	-0-	-0-	-0-	201,807
Dam Safety	126,650	-0-	-0-	-0-	-0-	-0-	126,650
Total	<u>\$2,975,753</u>	<u>\$30,000</u>	<u>\$1,012,074</u>	<u>\$130,000</u>	<u>\$75,000</u>	<u>\$50,000</u>	<u>\$4,272,827</u>
-----Fiscal 1991-----							
Administration	\$ 97,000	\$ -0-	\$ 114,897	\$ -0-	\$ -0-	\$ -0-	\$ 211,897
Water Wells	6,159	30,000	-0-	-0-	-0-	-0-	36,159
Water Adjudication	558,015	-0-	-0-	-0-	-0-	-0-	558,015
New Water Rights	1,377,262	-0-	-0-	-0-	75,000	-0-	1,452,262
Water Management	611,679	-0-	-0-	-0-	-0-	-0-	611,679
Water Development	-0-	-0-	275,769	130,000	-0-	-0-	405,769
State Water Proj.	-0-	-0-	616,595	-0-	-0-	50,000	666,595
Res. Water Rights							
Compact Comm.	202,285	-0-	-0-	-0-	-0-	-0-	202,285
Dam Safety	127,042	-0-	-0-	-0-	-0-	-0-	127,042
Total	<u>\$2,979,442</u>	<u>\$30,000</u>	<u>\$1,007,261</u>	<u>\$130,000</u>	<u>\$75,000</u>	<u>\$50,000</u>	<u>\$4,271,703</u>

The 93.4 percent reduction in state special revenues (as shown in the main table) reflects the expenditure in fiscal 1988 from other appropriation bills which are not included in the 1991 biennial current level, the carry forward into fiscal 1989 of expended balances in biennial appropriations, and the replacement of RIT interest with general fund. As has been done in other programs, the RIT interest which was used to finance administration has been replaced with general fund. In fiscal 1990, \$560,567 and in fiscal 1991, \$563,954 of expenses which would have been financed with RIT interest, are financed with general fund in the current level. The RIT interest had been used to finance approximately 50 percent of the Water Management Bureau, 50 percent of the Reserved Water Rights Compact Commission, and all of the Dam Safety Program.

The 75.5 percent reduction in federal funds reflects the expenditure in fiscal 1988 of \$273,125 appropriated in a budget amendment for the Cooney Dam loan payoff and \$17,465 carried forward into fiscal 1989 from a biennial appropriation.

ENERGY DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	50.10	50.10	39.00	39.00	(11.10)
Personal Services	\$1,187,100	\$1,004,811	\$1,053,611	\$1,055,704	(3.77)
Operating Expenses	645,089	3,760,375	3,012,926	1,322,355	(1.59)
Equipment	20,361	9,547	15,447	12,704	(5.87)
Total Operating Costs	\$1,852,550	\$4,774,733	\$4,081,984	\$2,390,763	(2.33)
Non-Operating Costs	1,296,598	4,074,555	295,989	296,008	(88.98)
Total Expenditures	\$3,149,148	\$8,849,288	\$4,377,973	\$2,686,771	(41.12)
<u>Fund Sources</u>					
General Fund	\$ 435,142	\$ 451,118	\$ 439,315	\$ 441,576	(0.61)
State Special	351,056	1,273,399	1,274,460	1,273,326	56.84
Federal Revenue	2,362,950	7,124,771	2,664,198	971,869	(61.68)
Total Funds	\$3,149,148	\$8,849,288	\$4,377,973	\$2,686,771	(41.12)

Program Description

The Energy Division is responsible for administration of the Montana Major Facility Siting Act, the Alternative Energy Grant and Loan Program, the State Building Energy Program, the Energy Emergency Powers Act, federally sponsored energy conservation programs, and various Northwest regional activities.

The Major Facility Siting Act is enforced to insure that the location, construction, and operation of transmission, generation, and conservation facilities produce minimal adverse impacts on people and the environment.

The Alternative Energy Grant and Loan Program awards grants and loans to individuals and organizations for projects that research, develop, demonstrate, or communicate the use of renewable energy sources such as solar, wind, geothermal, and biomass.

The State Building Energy Program awards grants to state governmental units for energy conservation measures.

The division monitors energy supply and demand on an ongoing basis to alert the Governor to potential problems and to be able to effectively target state emergency response actions in administering the Energy Emergency Powers Act.

Budget

The 11.10 FTE reduction between fiscal 1988 and fiscal 1990 reflects the following changes. First, included in fiscal 1988 are 8.10 FTE for administering the Montana Facility Siting Act and for doing environmental analysis as required by Montana's Environmental Policy Act. Because the number of positions needed to accomplish facility siting and environmental analysis is dependent upon the number of applications received, the legislature has not budgeted for any specific level of FTE but has appropriated a lump sum in contracted services that will cover all potential costs. The lump sum appropriation is made in an operating line item with the understanding by the legislature that some of the appropriation will be used for personal services. Because it is impossible to estimate the personnel needs in the 1991 biennium, the 8.10 FTE are not included in the current level; instead \$1,005,300 per year is included in operating expenses for potential analyses.

Second, 3.00 FTE appropriated to administer the oil overcharge funds are not included in the current level. The 3.00 FTE positions and oil overcharge funds were appropriated in House Bill 621.

The percentages in the "% Change 1989-91 Biennium" column show significant declines because both the "Actual Fiscal 1988" and "Appropriated Fiscal 1989" columns contain expenditures and appropriations which are not included in the current level base. For example, "Appropriated Fiscal 1989" includes \$4,523,873 of oil overcharge appropriations from House Bill 621 which are not included in the current level.

The following steps were used to develop the current level. First, adjustments are made to actual fiscal 1988 expenditures to obtain an adjusted actual fiscal 1988 expenditures base. Second, adjustments are made to the adjusted actual fiscal 1988 expenditures to get to fiscal 1990 current level. The actual fiscal 1988 expenditures total \$3,149,148. The first adjustment is excluding \$1,598,085 of oil overcharge expenditures. The oil overcharge expenditures were appropriated in House Bill 621 and are not included in the current level. The second adjustment is excluding \$122,908 of facility siting and environmental analyses expenditures from the actual expenditures. As described previously in the paragraph about changes in FTE, the facility siting and environmental analyses expenditures are removed from the current level because they are appropriated in one lump sum rather than in various expenditure line items. In fiscal 1988, the legislature appropriated \$988,000 for facility siting and environmental analyses. The department expended \$122,908 of the appropriation and, as will be detailed in Table 3, the expenditures were in personal services and operating expenses. The third adjustment is eliminating a \$2,118 one-time expenditure of Warner Oil Overcharge. The fourth adjustment was eliminating a \$12,653 one-time expenditure of federal funds. The four adjustments reduced the actual fiscal 1988 expenditures to \$1,413,384. Table 12 details the adjustments to the actual fiscal 1988 expenditures.

Table 12
Energy Division 1988 Expenditures

	1988 Total Expend.	Oil Overcharge Expenditures	Facility Siting & Environmental Analyses Expenditures	6367 Warner Oil Overcharge Expend.	6387 One-Time Federal Expend.	Adjusted Current Level Expenditures DNRC
Personal Services	\$1,187,100	\$ 227,377	\$ 95,242	\$ -0-	\$ 5,120	\$ 859,361
Operating Expenses	645,089	235,001	27,563	-0-	7,533	374,992
Equipment	20,361	458	103	-0-	-0-	19,800
Total Operating	\$1,852,550	\$ 462,836	\$122,908	\$ -0-	\$12,653	\$1,254,153
Non-Operating	1,296,598	1,135,249	-0-	2,118	-0-	159,231
Total Expenses	<u>\$3,149,148</u>	<u>\$1,598,085</u>	<u>\$122,908</u>	<u>\$ 2,118</u>	<u>\$12,653</u>	<u>\$1,413,384</u>
Fund Sources						
General Fund	\$ 435,142	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 435,142
State Special	351,056	-0-	122,908	-0-	-0-	228,148
Federal Funds	2,362,950	1,598,085	-0-	2,118	12,653	750,094
Total Funds	<u>\$3,149,148</u>	<u>\$1,598,085</u>	<u>\$122,908</u>	<u>\$ 2,118</u>	<u>\$12,653</u>	<u>\$1,413,384</u>

The second step in detailing the 1991 biennial current level is to describe the changes to the adjusted fiscal 1988 expenditures to arrive at fiscal 1990 current level. Personal services increase from \$859,361 to \$1,053,611, or an increase of \$194,250. The \$194,250 increase is primarily composed of: 1) \$20,000 per year of facility siting and environmental analyses administrative costs which previously were charged against specific projects is now part of the current level; and 2) \$150,000 per year of personal services expenditures which were charged against House Bill 621 oil overcharge appropriations are included in the current level. The rationale for including the oil overcharge funds in the current level is presented on pages 25 and 26.

Operating expenses increase from \$374,992 in fiscal 1988 to \$3,012,996 in fiscal 1990, or a \$2,638,004 increase. The increase is caused by the following factors. First, fiscal 1990 current level includes a \$1,650,000 biennial appropriation for Rock Creek Mitigation. Second, the current level includes \$996,400 for facility siting and environmental analyses. Third, consulting services were reduced \$58,800 per year. The department's request included this reduction. Fourth, the current level includes a \$40,000 biennial appropriation to carry out mitigation measures as ordered by the Board of Natural Resources and Conservation for the Colstrip-Townsend 500-KV transmission line.

The changes between fiscal 1990 and fiscal 1991 current levels are the two biennial appropriations contained in fiscal 1990. The two biennial appropriations are the \$1,650,000 for Rock Creek Mitigation and \$40,000 for Colstrip-Townsend 500-KV transmission line.

The 1991 biennium current level for equipment reflects the department's equipment request. The majority of the equipment request is for computer equipment.

The non-operating current level is composed of the following: 1) \$35,050 per year for renewable energy grants; 2) \$205,000 per year for Institutional Conservation Program Grants; 3) \$50,000 per year for the Residential Construction Demonstration Program; and 4) approximately \$6,000 per year for the department-wide lease/purchase of a computer.

Funding

The funding of the Energy Division is detailed in Table 13 by funding source and program.

Table 13
Energy Division Current Level Funding

<u>Fiscal 1990</u>	<u>Administration</u>	<u>Research & Planning</u>	<u>Facility Siting Bureau</u>	<u>Conservation</u>	<u>Total</u>
General Fund	\$105,535	\$184,495	\$ 149,285	\$ -0-	\$ 439,315
State Special Revenues					
Facility Siting Income	-0-	15,675	1,005,387	-0-	1,021,062
Alternative Energy Funds	-0-	-0-	-0-	253,398	253,398
Federal Funds					
Federal Energy	15,000	-0-	-0-	579,308	594,308
Oil Overcharge	-0-	-0-	-0-	379,890	379,890
Rock Creek	-0-	-0-	1,650,000	-0-	1,650,000
Colstrip-Townsend	-0-	-0-	40,000	-0-	40,000
Total	<u>\$120,535</u>	<u>\$200,170</u>	<u>\$2,844,672</u>	<u>\$1,212,596</u>	<u>\$4,377,973</u>
<u>Fiscal 1991</u>					
General Fund	\$105,821	\$185,988	\$ 149,767	\$ -0-	\$ 441,576
State Special Revenues					
Facility Siting Income	-0-	15,738	1,005,324	-0-	1,021,062
Alternative Energy Funds	-0-	-0-	-0-	252,264	252,264
Federal Funds					
Federal Energy	15,000	-0-	-0-	574,864	589,864
Oil Overcharge	-0-	-0-	-0-	382,005	382,005
Total	<u>\$120,821</u>	<u>\$201,726</u>	<u>\$1,155,091</u>	<u>\$1,209,133</u>	<u>\$2,686,771</u>

The Facility Siting Bureau serves two purposes: 1) it administers the Montana Major Facility Siting Act (MFSA); and 2) it prepares Environmental

Impact Statements (EIS) required by MFSA or resulting from other permit applications that trigger the Montana Environmental Protection Act (MEPA). The Facility Siting Bureau uses general fund to administer the MFSA, and filing fees are used to prepare EIS's.

As Table 13 indicates, the current level includes \$379,890 of oil overcharge funds in fiscal 1990 and \$382,005 in fiscal 1991. The oil overcharge revenues are available for appropriation because of interest projected to be earned from oil overcharge accounts and grant reversions. The use of the oil overcharge funds is in three programs: the State Energy Conservation Program (SECP); the Energy Extension Service (EES); and the Institutional Conservation Program (ICP). The following paragraphs briefly describe the continued level funding for each program and the type of overcharge funds appropriated to each program.

State Energy Conservation Program

The State Energy Conservation Program (SECP) has been funded in the past by the U.S. Department of Energy (DOE) pursuant to the Federal Energy Policy and Conservation Act of 1975. The purpose of this program is to reduce energy consumption in Montana. The federal funds available to the program decreased in fiscal 1988 and 1989. They were replaced with oil overcharge funds and interest on those funds (Exxon, Stripper Well and Diamond Shamrock). Oil overcharge funds allowed the program to continue at approximately the same level as fiscal years 1986 and 1987. In addition, the 1987 legislature appropriated Exxon funds plus any interest earned on these funds to SECP for construction of a transloading facility and for demonstrating energy conservation in agriculture. DOE approved the federal program plan submitted by the state requesting authority to spend these funds consistent with the 1987 legislative appropriation. The federal courts and DOE have indicated they now consider the oil overcharge funds that were committed to the program in the program plan and the interest earned on those funds to be program funds. Since there is a prohibition against supplanting funds that would otherwise be available to the program, the oil overcharge funds remaining in the program must be expended within the same federal program.

Approximately \$344,780 in oil overcharge funds (unspent funds plus interest earned) will be available for the SECP program in the 1991 biennium. The current level includes \$172,390 of oil overcharge funds each fiscal year in the next biennium (Exxon, Diamond Shamrock, and Stripper Well). The actual expenditure for SECP from all funding sources, federal and oil overcharge, in fiscal 1988 was \$255,236. With the inclusion of oil overcharge funds in the 1991 biennium the current level for SECP is \$253,107 for each fiscal year.

Energy Extension Service

The current level includes \$2,500 for each fiscal year in the 1991 biennium for the Energy Extension Service (EES) Program. EES is a Department of Energy funded information and outreach program designed to encourage energy conservation and the use of renewable energy. In House Bill 621, the 1987 legislature appropriated Exxon oil overcharge funds to local governments through EES. The department anticipates that local governments will have approximately \$5,000 of unspent funds and interest available for the 1991 biennium. The same federal and court determinations that are discussed in the SECP current level adjustment request apply to EES. The oil overcharge funds have been committed to the program, so all unspent funds and interest earned remain with the program.

Institutional Conservation Program

The current level includes \$180,000 per year of Exxon oil overcharge funds and \$25,000 per year of Warner Amendment funds for the Institutional Conservation Program (ICP). ICP was authorized by the National Energy Conservation Act of 1978 to fund energy conservation to public and private nonprofit schools, hospitals, public care facilities, and local governments. ICP funds were distributed by providing grants to schools and hospitals to retrofit existing buildings.

In House Bill 621, the legislature appropriated \$900,000 plus interest earned from Exxon funds to ICP for the 1989 biennium. To date, the department has committed \$900,000 and expects to commit another \$40,000 by the end of fiscal 1989. The funds will be committed but not spent, and so will continue to earn interest. The department projects that it will have approximately \$380,000 of interest and grant reversion, which could be redistributed in the 1991 biennium.

The department also projects that it will have \$25,000 per year of Warner Amendment oil overcharge funds for the ICP. As with the Exxon funds, the department has tried to distribute all of the funds in the 1989 biennium but because of project delays and grant reversions the department is projecting \$50,000 to be appropriated in the 1991 biennium.

DEPARTMENT OF AGRICULTURE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	91.00	\$2,979,388	\$10,185,454
LFA Current Level	<u>84.67</u>	<u>2,682,534</u>	<u>8,396,819</u>
Executive Over (Under) LFA	<u><u>6.33</u></u>	<u><u>\$ 296,854</u></u>	<u><u>\$ 1,788,635</u></u>

The differences between the executive budget and the current level primarily are: 1) a \$44,284 increase in the Rodent Advisor Program; 2) a \$1,083,000 expansion of the Wheat and Barley Research and Marketing Program; 3) a \$28,000 funding switch which increased the general fund in the Centralized Services; 4) a \$68,423 funding switch which decreased general fund in the Noxious Weed Program; and 5) seven budget modifications which increase general fund \$347,818 and total funds \$579,552.

ISSUE 1: RODENT ADVISOR PROGRAM

The executive budget for the Rodent Advisor Program is \$44,284 higher than LFA current level. The executive is projecting that the revenues from a 5 percent sales tax on rodenticides and donations from local governments and chemical companies will produce \$25,000 annually and has budgeted this program accordingly. LFA current level was constructed using fiscal 1988 actual expenditures and revenues. In fiscal 1988, the department expended \$2,423 and received \$6,137 of revenue.

ISSUE 2: WHEAT AND BARLEY RESEARCH AND MARKETING EXPANSION

There is a \$1,083,000 difference between the executive budget and the LFA current level in the Wheat and Barley Research and Marketing Program. The executive budget includes additional revenue from an increase in the wheat and barley assessment fees. The Wheat Commission increased the assessments in August, 1988. Because this was a substantial increase in the Wheat and Barley Research and Marketing Program that has not been reviewed and approved by the legislature, LFA current level reflects fiscal 1988 expenditures.

ISSUE 3: CENTRALIZED SERVICES DIVISION FUNDING

The funding of the Centralized Services Division in the current level includes \$14,000 per year of noxious weed vehicle registration funds to fund their allocated share of centralized service costs. The executive budget, because it exempts the noxious weed program from paying a share of centralized service costs, contains \$28,000 more general fund for the biennium.

ISSUE 4: NOXIOUS WEED FUNDING

The executive budget proposed that the general fund support of the Noxious Weed Program be eliminated. This proposal reduces general fund by \$68,423 for the biennium. The legislature, when it created the Noxious Weed Program, had funded the state weed coordinator position with general fund. The executive budget replaces the general fund with noxious weed vehicle registration funds. The net result of the executive proposal is to reduce the amount of funds available for noxious weed grants.

ISSUE 5: BUDGET MODIFICATIONS

The executive budget proposes seven budget modifications which add 4.83 FTE in fiscal 1990 and 6.33 FTE in fiscal 1991. The cost of the seven budget modifications is \$281,832 in fiscal 1990 with \$173,462 being general fund costs, and \$297,720 in fiscal 1991 with \$174,356 general fund. Table A details the seven budget modifications.

Table A
Department of Agriculture
Budget Modifications

Budget Modification	FTE	Fiscal 1990		FTE	Fiscal 1991	
		General Fund	Total		General Fund	Total
Pesticide Labeling	0.25	\$ 7,483	\$ 22,119	1.00	\$ 24,619	\$ 49,519
Well Monitoring	0.25	6,420	15,320	1.00	22,485	40,685
Equipment Purchase	0.00	84,092	84,092	0.00	51,500	51,500
Administrative Assistant	1.00	-0-	29,725	1.00	-0-	29,810
Agricultural Development						
Division Administrator	1.33	49,500	49,500	1.33	49,600	49,600
Wheat and Barley Position	1.00	-0-	28,000	1.00	-0-	23,330
Agricultural Counseling and						
Mediation Program	1.00	25,967	53,076	1.00	26,152	53,276
Total Budget Modifications	4.83	\$173,462	\$281,832	6.33	\$174,356	\$297,720

The first three budget modifications involve regulation and detection of pesticides. The modifications would be added to the Environmental Management Division. The pesticide labeling budget modification is proposed to implement a new EPA pesticide labeling program on ground water, endangered species, pesticide disposal, and farm worker pesticide protection standards and certification. The well monitoring budget modification is proposed to sample wells for pesticide contamination. The equipment purchase budget modification is to replace the department's gas chromatograph/mass spectrometer and related data system.

To fund the general fund portion of the pesticide labeling program, well monitoring, and equipment purchase, the executive budget proposes raising certain pesticide registration and licensing fees. The income from the registration and licensing of pesticide products and the people who sell or use them, is

deposited into the general fund. The most significant increase is in the product registration fee which the executive proposes to increase from \$50 to \$75 per product. The proposed increase would generate \$132,450 per year while the general fund expenditure increase for the three pesticide related modifieds is \$97,995 in fiscal 1990 and \$98,604 in fiscal 1991.

The administrative assistant budget modification adds an administrative assistant who would work two-thirds time in the Noxious Weed Control Program and one-third time in the Rural Development Program. The position would be financed with noxious weed vehicle assessment funds and rural development funds and would cost \$59,535 for the biennium.

The Agricultural Development Division Administrator budget modification would finance the Agricultural Development Division administrator and a 0.33 FTE secretary. In the 1989 biennium, the positions were financed with funds from the Agriculture Counseling and Mediation Program.

The Wheat and Barley Position budget modification would add 1.00 FTE to work on barley related issues and grant activity. The position would be financed with revenue from the wheat and barley assessment.

The Agriculture Counseling and Mediation Program budget modification would continue a modified Agriculture Counseling and Mediation program. The recommendation would continue 1.00 FTE program manager and operating expenses. The funding of the program would be \$52,119 general fund, \$44,233 federal funds, and \$10,000 of fee income. The total biennial budget would be \$106,352.

DEPARTMENT OF AGRICULTURE

<u>Budget Item</u>	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - -		% Change 1989-91 Biennium
			Fiscal 1990	Fiscal 1991	
F.T.E.	88.00	88.00	84.67	84.67	(3.33)
Personal Services	\$2,129,707	\$2,248,421	\$2,136,157	\$2,142,357	(2.28)
Operating Expenses	915,094	752,656	861,595	842,955	2.21
Equipment	<u>115,318</u>	<u>131,835</u>	<u>103,180</u>	<u>77,943</u>	<u>(26.72)</u>
Total Operating Costs	\$3,160,119	\$3,132,912	\$3,100,932	\$3,063,255	(2.05)
Non-Operating Costs	<u>1,126,528</u>	<u>1,652,026</u>	<u>1,116,316</u>	<u>1,116,316</u>	<u>(19.65)</u>
Total Expenditures	<u>\$4,286,647</u>	<u>\$4,784,938</u>	<u>\$4,217,248</u>	<u>\$4,179,571</u>	<u>(7.44)</u>
<u>Fund Sources</u>					
General Fund	\$1,485,405	\$1,516,245	\$1,357,976	\$1,324,558	(10.63)
State Special	1,175,463	1,246,724	1,318,423	1,310,494	8.53
Federal Revenue	1,319,104	1,729,827	1,246,963	1,254,264	(17.96)
Proprietary Fund	6,632	33,490	31,443	31,595	57.12
Expendable Trust	<u>300,043</u>	<u>258,652</u>	<u>262,443</u>	<u>258,660</u>	<u>(6.73)</u>
Total Funds	<u>\$4,286,647</u>	<u>\$4,784,938</u>	<u>\$4,217,248</u>	<u>\$4,179,571</u>	<u>(7.44)</u>

Program Description

The Department of Agriculture was established by Article XII, Section I of the Montana Constitution. It is designed to encourage and promote the interests of all agricultural and allied industries in Montana; collect and publish statistics relating to the production and marketing of agricultural products; assist, encourage, and promote the organization of farmers; gather and distribute marketing information; and administer regulations pertaining to production and marketing of food and fiber products.

Budget

The reduction of 3.33 FTE reflects three changes. First, 2.33 FTE from the Agriculture Counseling and Mediation Program are not included in the current level. House Bill 887, which authorized the program, also sunset the program at the end of fiscal 1989. Second, a 0.33 FTE from the federally funded Animal Feed Program was discontinued. According to the department, they have not received any federal funds to support the program and don't foresee receiving any in the future. Third, 0.67 FTE in the Alfalfa Seed Program was eliminated because of insufficient revenues.

The 2.28 percent reduction in personal services primarily reflects the termination of the Agriculture Counseling and Mediation Program.

The \$53,499 reduction between fiscal 1988 and fiscal 1990 in operating expenses primarily reflects the termination of the Agricultural Counseling and Mediation Program which decreases operating expenses by \$50,000.

The 26.72 percent reduction in equipment results primarily from the one-time funding of an \$85,000 gas chromatograph mass spectrometer in fiscal 1989. It should be noted that even though funding for the gas chromatograph mass spectrometer is in the fiscal 1989 budget, the department has learned that the federal government will not authorize the purchase of the spectrometer.

The current level non-operating expenses include Rural Development grants totaling \$20,000 each fiscal year; Noxious Weed grants of \$560,000 each fiscal year; and Wheat and Barley Research grants of \$536,316 each fiscal year. The reduction from fiscal 1989 to the current level base reflects a reduction of approximately \$630,000 in the Wheat and Barley Research and Marketing Program's grant program. Approximately \$255,000 of the wheat and barley reduction was funds transferred to operating expenses. The \$10,212 decrease between fiscal 1988 and 1990 reflects: 1) the transfer of \$25,000 per year from non-operating to operating expenses in the Wheat and Barley Research and Marketing Program; 2) a \$53,000 per year increase in Noxious Weed grants; and 3) a one-time expenditure of \$36,300 for payment of forfeited bond revenue from a grain bankruptcy in fiscal 1988.

CENTRALIZED SERVICES DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	10.00	10.00	10.00	10.00	0.00
Personal Services	\$307,130	\$303,736	\$306,231	\$307,106	0.40
Operating Expenses	80,892	58,552	80,640	57,204	(1.15)
Equipment	6,144	-0-	4,490	4,490	46.16
Total Expenditures	<u>\$394,166</u>	<u>\$362,288</u>	<u>\$391,361</u>	<u>\$368,800</u>	<u>0.49</u>
Fund Sources					
General Fund	\$229,773	\$214,199	\$189,715	\$178,385	(17.09)
State Special	80,134	72,345	111,214	103,602	40.88
Federal Revenue	54,033	46,935	58,160	56,506	13.57
Expendable Trust	<u>30,226</u>	<u>28,809</u>	<u>32,272</u>	<u>30,307</u>	<u>6.00</u>
Total Funds	<u>\$394,166</u>	<u>\$362,288</u>	<u>\$391,361</u>	<u>\$368,800</u>	<u>0.49</u>

Program Description

The Central Services Division provides accounting, fiscal management, payroll, personnel, purchasing, property control, data processing, equal opportunity administration, and legal support to all programs within the department. Con-

tained within the division are the funding for the department's audit and expenditure authority to expend private donations if any are received.

Budget

In fiscal 1988 the department was reorganized and the Noxious Weed and the Agriculture-in-the-Classroom Programs were transferred to the Agricultural Development Division. This reorganization transferred 1.25 FTE and associated operating expenses to the Agricultural Development Division. The \$9,673 one-time cost of the Western States Agriculture Department conference was removed from the current level base.

Included in fiscal 1988 operating expenses are \$9,248 of expenditures incurred when the department hosted the Western Association of State Department of Agriculture and \$1,570 of oil overcharge expenditures. If these expenditures are excluded from the fiscal 1988 expenditures, the operating expenses in fiscal 1988 are reduced to \$70,083. From the adjusted operating expenses of \$70,035, the current level increases over the fiscal 1988 level are: 1) computer line and access charges of \$3,600 and SBAS on-line charges of \$816 were added; 2) in fiscal 1990 legislative audit costs, which were a biennial appropriation, increased \$2,365; 3) rent increased \$3,853 in fiscal 1990 and \$3,180 in fiscal 1991; and 4) federal indirect cost paid to the Department of Administration increased by \$1,409 per year. The last item, the federal indirect cost, is totally financed by federal funds.

The current level for equipment is \$4,490 per year, which is the average of fiscal years 1986, 1987, and 1988 equipment costs.

Funding

The funding for Central Services Division is prorated to the various revenue sources which support the department's programs. The personal services of each program compared to the department's total personal services was used as the ratio for determining an individual program's support of Centralized Services. Also factored into the calculation for support of the division was 2.5 percent of a program's current level grant appropriation. Those revenue accounts, such as the Anhydrous Ammonia Fund, Apple Inspection Fund, Agricultural Pesticide Fund, and the Alfalfa Leaf Cutter Bee Fund, which couldn't finance their complete shares of administrative costs, were subsidized by the general fund. Table 1 details the 1991 biennium current level funding of the division.

Table 1
Centralized Services Division
1991 Biennium Current Level Funding

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
General Fund	\$189,715	\$178,385
Noxious Weed	14,000	14,000
Commercial Fertilizer	17,680	16,000
Grain Service	60,021	56,334
Commercial Feed	17,680	15,549
Alfalfa Seed	1,833	1,719
Marketing Service	17,502	17,578
Wheat Research	40,266	38,536
Private Donations	392	392
Rural Development	7,854	7,399
Hail Insurance	24,418	22,908
Total	<u>\$391,361</u>	<u>\$368,800</u>

ENVIRONMENTAL MANAGEMENT DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	25.50	25.50	25.50	25.50	0.00
Personal Services	\$670,889	\$669,036	\$667,366	\$669,667	(0.22)
Operating Expenses	204,782	231,797	192,991	195,002	(11.13)
Equipment	77,455	98,435	56,592	34,755	(48.07)
Total Expenditures	<u>\$953,126</u>	<u>\$999,268</u>	<u>\$916,949</u>	<u>\$899,424</u>	<u>(16.97)</u>
<u>Fund Sources</u>					
General Fund	\$595,382	\$612,823	\$595,512	\$581,667	(2.57)
State Special	122,018	142,615	145,223	136,688	6.53
Federal Revenue	235,726	243,830	176,214	181,069	(25.50)
Total Funds	<u>\$953,126</u>	<u>\$999,268</u>	<u>\$916,949</u>	<u>\$899,424</u>	<u>(16.97)</u>

Program Description

This program is responsible for administering the Montana Pesticides Act, the Crop Insect Detection and Management Act, the Noxious Plant Management Assistance Act, and the Vertebrate Pest Management Act, and for managing the department's chemical analytical laboratory. Technical and consultant services are

also provided to consumers and agricultural producers in pesticide chemical analysis and in pest management areas.

Budget

The 11.13 percent reduction in operating expenses primarily reflects a \$9,645 budget amendment expenditure in fiscal 1988. If the \$9,645 were removed from actual fiscal 1988 expenditures, the total operating expenses expenditure would have been \$195,137. The current level base has a number of small adjustments with the net result being a 1.1 percent reduction in operating expenses from fiscal 1988's expenditures to fiscal 1990 and almost no change in fiscal 1991. The current level equipment is budgeted at the agency's requested level of \$56,592 in fiscal 1990 and \$34,755 in fiscal 1991. Table 2 details the current level equipment.

In fiscal 1988 \$25,000 of Commercial Feed and Commercial Fertilizer funds were appropriated for the high-pressure liquid chromatograph system. The department did not purchase the system in fiscal 1988 because the revenues from the two accounts were not sufficient to purchase the system. The department has included the system in the 1991 biennial request again financed with Commercial Feed and Commercial Fertilizer funds.

Table 2
Environmental Services Division Equipment

<u>Field Service</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Computer	\$ 2,545	\$ 2,549
Miscellaneous	1,620	700
<u>Laboratory</u>		
Copier Replacement	2,200	
Freezer	1,800	
Photoconductivity Detector		7,200
Wrist Action Shaker	1,900	
Refrigerator	1,500	
Food Chopper	2,500	
Centrifugal Mill		3,500
Wiley Mill		6,000
Muffle Furnace		4,000
High Pressure Liquid Chromatograph System	25,000	
Toploading Balance		2,500
Miscellaneous	1,500	3,950
<u>Technical Services</u>		
3/4 Ton 4-Wheel Drive Pickup	11,475	
P.C.'s	2,549	2,549
Miscellaneous	2,003	1,807
	<u>\$56,592</u>	<u>\$34,755</u>

Funding

The program is funded with general fund, state special revenue, and federal funds as detailed in Table 3.

Table 3
Current Level Funding of the Environmental Division

<u>Fiscal 1990</u>	<u>Administration</u>	<u>Rodent Advisor</u>	<u>Field Services</u>	<u>Laboratory</u>	<u>Technical Services</u>	<u>Total</u>
General Fund	\$97,744	\$ -0-	\$145,180	\$ 79,455	\$273,133	\$595,512
State Special						
Vertebrate Fund	-0-	\$ 2,423	-0-	-0-	-0-	2,423
Commercial Feed	-0-	-0-	-0-	68,644	-0-	68,644
Commercial Fert.	-0-	-0-	-0-	68,644	-0-	68,644
Training Fund	-0-	-0-	-0-	-0-	5,512	5,512
Federal Funds						
Marketing Service	-0-	-0-	39,251	112,874	19,438	171,563
Ag. Pesticides	-0-	-0-	-0-	-0-	4,651	4,651
 Total	 \$97,744 =====	 \$ 2,423 =====	 \$184,431 =====	 \$329,617 =====	 \$302,734 =====	 \$916,949 =====
 <u>Fiscal 1991</u>						
General Fund	\$97,922	\$ -0-	\$145,282	\$ 77,055	\$261,408	\$581,667
State Special						
Vertebrate Fund	-0-	2,428	-0-	-0-	-0-	2,428
Commercial Feed	-0-	-0-	-0-	63,890	-0-	63,890
Commercial Fert.	-0-	-0-	-0-	63,890	-0-	63,890
Training Fund	-0-	-0-	-0-	-0-	6,480	6,480
Federal Funds						
Marketing Service	-0-	-0-	39,261	116,559	20,595	176,415
Ag. Pesticides	-0-	-0-	-0-	-0-	4,654	4,654
 Total	 \$97,922 =====	 \$ 2,428 =====	 \$184,543 =====	 \$321,394 =====	 \$293,137 =====	 \$899,424 =====

The 6.53 percent increase in state special revenue reflects the current level appropriation of funding for the high-pressure liquid chromatograph system. The 25.50 percent reduction in federal funds reflects exclusion of \$62,829 of budget amendment expenditures in fiscal 1988; \$54,000 of the expenditures were for equipment. Also, fiscal 1989 includes \$85,000 of federal funds for a gas chromatograph which the EPA has since refused to fund.

PLANT INDUSTRY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	31.83	31.83	31.50	31.50	(0.33)
Personal Services	\$702,849	\$785,347	\$760,701	\$763,011	2.39
Operating Expenses	133,708	167,340	137,439	138,343	(18.39)
Equipment	12,997	31,100	30,000	30,000	36.06
Total Expenditures	\$849,554 =====	\$983,787 =====	\$928,140 =====	\$931,354 =====	1.43 =====
Fund Sources					
General Fund	\$396,179	\$422,945	\$423,759	\$420,166	3.03
State Special	435,914	494,081	465,765	472,437	0.88
Federal Revenue	6,956	33,271	7,173	7,156	(64.38)
Proprietary Fund	10,505	33,490	31,443	31,595	43.28
Total Funds	\$849,554 =====	\$983,787 =====	\$928,140 =====	\$931,354 =====	1.43 =====

Program Description

This program administers agricultural programs relating to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The division provides services to industry by: 1) performing professional insect/disease surveys; 2) doing comprehensive feed mill inspections; 3) issuing official commodity certificates; 4) issuing dealer licenses/permits; 5) registering products; 6) doing analytical analyses for bees, etc.; and 7) collecting various assessment fees. Division personnel provide technical/scientific information upon request to the industry and the general public by investigating and resolving consumer complaints. The consumer complaints range from product contamination and quality control to elevator bankruptcies and non-payment for products.

Budget

The reduction of 0.33 FTE reflects the Animal Feed Program not being carried forward into the 1991 biennium. The Animal Feed Program was a federally funded program.

The 2.39 percent increase in personal services is reflected by the following changes. First, in fiscal 1988 the department was involved in a personnel dispute which resulted in \$5,400 of general fund personal services going unspent. The dispute has since been resolved. Second, a 0.16 typist position was vacant all of fiscal 1988 which saved \$2,200 of general fund. Third, approximately \$8,300 of funds provided for potato and cherry inspectors was not used. Fourth, \$17,000 of state special revenue funds provided for grain lab part-time personnel was not used. Fifth, an entomologist position funded with \$27,000 of Alfalfa Leaf Cutter Bee revenue was vacant all of fiscal 1988 because the funds were not available to

finance the position. All of the above positions are continued in the current level.

The current level operating budget includes an increase of \$5,501 per year in administrative costs of federal government inspections and a \$627 per year increase for anticipated federal cost increases. The \$5,501 per year was included in the budget because the department received a billing from the federal government and should have accrued the expenditure; therefore, it was a legitimate expense of fiscal 1988 that will be a part of the 1991 biennial current level. There was a reduction of \$4,400 per year in one-time contractual service costs. The remaining increases in operating expenses are primarily inflationary increases.

The current level for equipment was determined using an average of fiscal 1986, 1987, and 1988 expenditures.

Funding

Table 4 details the current level funding of the Plant Industry Division for the 1991 biennium.

Table 4
Plant Industry Division

<u>Fiscal 1990</u>	<u>Adminis-</u> <u>tration</u>	<u>Commodity</u> <u>Services</u>	<u>Alfalfa Leaf</u> <u>Cutter Bee</u>	<u>Medicated</u> <u>Feed</u>	<u>Anhydrous</u> <u>Ammonia</u>	<u>Grain</u> <u>Lab.</u>	<u>Total</u>
General Fund	\$423,759	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$423,759
State Special							
Apple Inspection	3,137	-0-	-0-	-0-	-0-	-0-	3,137
Commercial Feed	-0-	47,123	-0-	-0-	-0-	-0-	47,123
Commercial Fert.	-0-	47,123	-0-	-0-	-0-	-0-	47,123
Anhydrous Ammonia	-0-	-0-	-0-	-0-	29,780	-0-	29,780
Grain Service	-0-	-0-	-0-	-0-	-0-	338,602	338,602
Federal Funds							
Wheat Inspection	1,060	-0-	-0-	-0-	-0-	-0-	1,060
Marketing Service	-0-	-0-	-0-	6,113	-0-	-0-	6,113
Proprietary Fund							
Alfalfa Leaf Cutter Bee	-0-	-0-	31,443	-0-	-0-	-0-	31,443
Total	<u>\$427,956</u>	<u>\$94,246</u>	<u>\$31,443</u>	<u>\$6,113</u>	<u>\$29,780</u>	<u>\$338,602</u>	<u>\$928,140</u>
<u>Fiscal 1991</u>							
General Fund	\$420,166	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$420,166
State Special							
Apple Inspection	3,142	-0-	-0-	-0-	-0-	-0-	3,142
Commercial Feed	-0-	49,534	-0-	-0-	-0-	-0-	49,534
Commercial Fert.	-0-	49,533	-0-	-0-	-0-	-0-	49,533
Anhydrous Ammonia	-0-	-0-	-0-	-0-	29,911	-0-	29,911
Grain Service	-0-	-0-	-0-	-0-	-0-	340,317	340,317
Federal Fund							
Wheat Inspection	1,060	-0-	-0-	-0-	-0-	-0-	1,060
Marketing Service	-0-	-0-	-0-	6,096	-0-	-0-	6,096
Proprietary Fund							
Alfalfa Leaf Cutter Bee	-0-	-0-	31,595	-0-	-0-	-0-	31,595
Total	<u>\$424,368</u>	<u>\$99,067</u>	<u>\$31,595</u>	<u>\$6,096</u>	<u>\$29,911</u>	<u>\$340,317</u>	<u>\$931,354</u>

The 64.30 percent reduction in federal funds reflects the elimination of the federally funded Animal Feed Program. The 43.28 percent increase in other funds reflects the Alfalfa Leaf Cutter Bee Program being appropriated at the 1989 level rather than the 1988 expenditure level. This was a new program and expenditures were not at a full-year level.

AGRICULTURAL DEVELOPMENT

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal <u>1988</u>	Fiscal <u>1989</u>	Fiscal <u>1990</u>	Fiscal <u>1991</u>	1989-91 <u>Biennium</u>
F.T.E.	20.67	20.67	17.67	17.67	(3.00)
Personal Services	\$ 448,839	\$ 490,302	\$ 401,859	\$ 402,573	(14.34)
Operating Expenses	495,712	294,967	450,525	452,406	14.20
Equipment	<u>18,722</u>	<u>2,300</u>	<u>12,098</u>	<u>8,698</u>	<u>(1.08)</u>
Total Operating Costs	\$ 963,273	\$ 787,569	\$ 864,482	\$ 863,677	(1.30)
Non-Operating Costs	<u>1,126,528</u>	<u>1,652,026</u>	<u>1,116,316</u>	<u>1,116,316</u>	<u>(19.65)</u>
Total Expenditures	<u>\$2,089,801</u>	<u>\$2,439,595</u>	<u>\$1,980,798</u>	<u>\$1,979,993</u>	<u>(12.55)</u>
<u>Fund Sources</u>					
General Fund	\$ 264,071	\$ 266,278	\$ 148,990	\$ 144,340	(44.69)
State Special	537,397	537,683	596,221	597,767	11.06
Federal Revenue	1,022,389	1,405,791	1,005,416	1,009,533	(17.02)
Proprietary Funds	(3,873)	-0-	-0-	-0-	(100.00)
Expendable Trusts	<u>269,817</u>	<u>229,843</u>	<u>230,171</u>	<u>228,353</u>	<u>(8.23)</u>
Total Funds	<u>\$2,089,801</u>	<u>\$2,439,595</u>	<u>\$1,980,798</u>	<u>\$1,979,993</u>	<u>(12.55)</u>

Program Description

This program is composed of seven units: 1) Rural Development; 2) Crop and Livestock Reporting; 3) Marketing; 4) Hail Insurance; 5) Wheat and Barley Research and Marketing; 6) Noxious Weed Program; and 7) Alfalfa Seed Committee. The Hail Insurance, Wheat and Barley Research and Marketing, and the Noxious Weed programs are new to the division, being transferred in fiscal 1988 from the Centralized Services Division.

The programs in this division are primarily designed to assist the agricultural community with promotion, loans, export advice, and technical information.

Budget

Included in fiscal 1988 expenditures and fiscal 1989 appropriations is the Agricultural Counseling and Mediation Program. The program sunsets at the end of fiscal 1989; therefore, 2.33 FTE and \$124,175 general fund is not included in the current level. Also, a 0.67 FTE in the Alfalfa Seed Program has been eliminated because revenues have never been sufficient to fully fund the position. The remaining funding will finance 0.33 FTE.

Table 5 details the positions of this division as appropriated in House Bill 2 and House Bill 887, and the positions transferred into this division.

Table 5
Agricultural Development Division Transfers
Fiscal 1988 FTE

	<u>HB2</u>	<u>HB887*</u>	<u>Transfers</u>	<u>Fiscal 1988</u>
Alfalfa Seed	1.00	0.00	0.00	1.00
Rural Development	1.34	0.00	0.00	1.34
Marketing	1.33	0.00	0.00	1.33
Crop Reporting	4.00	0.00	0.00	4.00
Counseling and Mediation	0.00	2.33	0.00	2.33
Hail Insurance	0.00	0.00	6.30	6.30
Wheat and Barley Research	0.00	0.00	3.12	3.12
Noxious Weed	0.00	0.00	1.25	1.25
Total	<u>7.67</u>	<u>2.33</u>	<u>10.67</u>	<u>20.67</u>

* Agriculture Counseling and Mediation Program.

The \$45,187 reduction in operating expenses between fiscal 1988 and fiscal 1990 reflects: 1) the elimination of approximately \$50,000 in the Agricultural Counseling and Mediation Program; 2) a reduction of \$13,500 in one-time operating expenses; 3) numerous reductions in the Marketing Bureau totaling \$10,600 per year; 4) an increase of \$6,600 per year in the Hail Insurance Program; and 5) a transfer of \$23,200 per year from non-operating to printing costs in the Wheat and Barley Research and Marketing Program.

The decrease in operating expenses between fiscal 1988 and fiscal 1989 primarily reflects \$230,000 of Wheat and Barley Research and Marketing non-operating costs transferred to operating expenses. The \$230,000 reflects the national dues of the Wheat and Barley Research and Marketing Program.

The current level for equipment includes the agency requested \$12,098 in fiscal 1990 and \$8,698 in fiscal 1991. Major equipment includes a \$2,500 computer in fiscal 1990, two computers for the Hail Insurance Program costing \$4,600 in fiscal 1990, and \$4,000 in fiscal 1991; and office and communication equipment costing \$4,100 in fiscal 1990 and \$1,650 in fiscal 1991 for the Wheat and Barley Research and Marketing Program.

The current level non-operating expenses include Rural Development grants totaling \$20,000 each fiscal year; Noxious Weed grants of \$560,000 each fiscal year; and Wheat and Barley Research grants of \$536,316 each fiscal year. The reduction from fiscal 1989 to the current level base reflects a reduction of approximately \$630,000 in the Wheat and Barley Research and Marketing Program's grant program. Approximately \$255,000 of the Wheat and Barley reduction was funds transferred to operating expenses. The \$10,212 decrease between fiscal 1988 and 1990 reflects: 1) the transfer of \$25,000 per year from non-operating to operating in the Wheat and Barley Research and Marketing Program; 2) a \$53,000 per year increase in Noxious Weed grants; and 3) the elimination of an expenditure of \$36,300 for payment of forfeited bond revenue from a grain bankruptcy.

The Noxious Weed grants increase because of a projected increase of \$13,000 per year in herbicide tax income, and a projected \$37,000 per year increase in the revenue from the licensing of vehicles. Also being used to increase grants is \$10,000 per year of a projected fiscal 1989 year-end balance of \$76,000.

Funding

Table 6 details the current level funding of the Agricultural Development Division.

Table 6
Agricultural Division Funding

Fiscal 1990	Alfalfa Seed	Rural Develop.	Noxious Weed	Hail Ins.	Market Bureau	Ag. in Schools	Wheat Research	Total
General Fund	\$ -0-	\$ -0-	\$ 34,051	\$ -0-	\$114,939	\$ -0-	\$ -0-	\$ 148,990
State Special								
Ag. in Mont. Schools	-0-	-0-	-0-	-0-	-0-	8,842	-0-	8,842
Alfalfa Seed	12,839	-0-	-0-	-0-	-0-	-0-	-0-	12,839
Noxious Weeds	-0-	-0-	574,540	-0-	-0-	-0-	-0-	574,540
Federal Funds								
Marketing Service	-0-	-0-	-0-	-0-	10,000	-0-	-0-	10,000
Wheat Research	-0-	-0-	-0-	-0-	33,800	-0-	961,616	995,416
Expendable Trusts								
Rural Development	-0-	69,465	-0-	-0-	-0-	-0-	-0-	69,465
Hail Insurance	-0-	-0-	-0-	\$160,706	-0-	-0-	-0-	160,706
Total	\$12,839 =====	\$69,465 =====	\$608,591 =====	\$160,706 =====	\$158,739 =====	\$8,842 =====	\$961,616 =====	\$1,980,798 =====
Fiscal 1991								
General Fund	\$ -0-	\$ -0-	\$ 34,372	\$ -0-	\$109,968	\$ -0-	\$ -0-	\$ 144,340
State Special								
Ag. in Mont. Schools	-0-	-0-	-0-	-0-	-0-	8,846	-0-	8,846
Alfalfa Seed	12,878	-0-	-0-	-0-	-0-	-0-	-0-	12,878
Noxious Weed	-0-	-0-	576,043	-0-	-0-	-0-	-0-	576,043
Federal Funds								
Marketing Service	-0-	-0-	-0-	-0-	10,000	-0-	-0-	10,000
Wheat Research	-0-	-0-	-0-	-0-	33,800	-0-	960,733	994,533
Private Donations	-0-	-0-	-0-	-0-	5,000	-0-	-0-	5,000
Expendable Trusts								
Rural Development	-0-	67,464	-0-	-0-	-0-	-0-	-0-	67,464
Hail Insurance	-0-	-0-	-0-	160,889	-0-	-0-	-0-	160,889
Total	\$12,878 =====	\$67,464 =====	\$610,415 =====	\$160,889 =====	\$158,768 =====	\$8,846 =====	\$960,733 =====	\$1,979,993 =====

The 44.69 percent reduction in general fund reflects the elimination of the Agricultural Counseling and Mediation Program. The negative expenditure of proprietary funds in fiscal 1988 reflects an accounting correction.

The Wheat and Barley Research and Marketing Program has been maintained at approximately the same funding level (\$960,000 per year) as was expended in fiscal 1988. The Wheat and Barley Committee which administers the program voted on August 31, 1988 to raise the wheat and barley assessment. The assessment on wheat was increased from 6 mills per bushel to 10 mills per bushel, and the assessment on barley was increased from 12 mills per hundred weight to 15 mills per hundred weight. The new assessments are the maximum assessment allowed by statute.

For fiscal 1988, the U.S. Department of Agriculture estimates that 60.2 million bushels of wheat would be harvested in Montana. If the wheat were assessed at 10 mills per bushel, \$602,000 of revenue would be collected. Likewise, 13.2 million hundred weight of barley harvested would produce \$198,000. For fiscal 1988 the total projected revenue is \$800,000.

To project the production of wheat and barley into the future is difficult because of weather conditions and the effects of government programs on production. According to the U.S.D.A., however, the estimated wheat production in fiscal 1988 was down 60 percent from fiscal 1987, which would make the fiscal 1987 wheat crop at approximately 100 million bushels. The ten-year (1977-1986) average of wheat production in Montana is 130 million bushels which is greater than the 100 million bushels harvested in fiscal 1987. However, because of the uncertainty in the government programs the figure of 100 million bushels of wheat has been used to project the future wheat production in fiscal 1989 through fiscal 1991. Also, for barley an estimated production figure of 22 million hundred weight is being used for future production. The formula used to calculate wheat production was also used to calculate barley production.

Table 7 details the estimated revenue by fiscal year for the Wheat and Barley Research and Marketing Program. The projected revenues for the 1991 biennium are \$1,330,000 per year which is \$390,000 greater than current level expenditures.

Table 7 Estimated Revenue for the Wheat and Barley Research and Marketing Program				
<u>Production</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Wheat/Million Bushels	60.2	100.0	100.0	100.0
Barley/Million Hund. Wt.	13.2	22.0	22.0	22.0
<u>Revenue</u>				
Wheat (10 Mills/Bushel)	\$602,000	\$1,000,000	\$1,000,000	\$1,000,000
Barley (15 Mills/Hund. Wt.)	198,000	330,000	330,000	330,000
Total Revenue	<u>\$800,000</u>	<u>\$1,330,000</u>	<u>\$1,330,000</u>	<u>\$1,330,000</u>

DEPARTMENT OF COMMERCE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	348.90	\$12,010,249	\$145,934,894
LFA Current Level	286.60	9,040,350	101,645,542
Executive Over (Under) LFA	<u>62.30</u>	<u>\$ 2,969,899</u>	<u>\$ 44,289,352</u>

The major differences between LFA current level and the executive budget are: 1) the executive budget is \$272,179 greater because a lower vacancy savings factor was used; 2) the executive budget includes \$23.4 million and 35.00 FTE for the Montana Lottery Program which are statutorily appropriated and not included in LFA current level; 3) the executive budget includes \$9.4 million and 15.33 FTE for the Montana Promotion Program which are statutorily appropriated and not included in LFA current level; 4) the executive budget includes \$14.6 million of authority to distribute video gaming receipts to local governments which are statutorily appropriated and not included in LFA current level; 5) LFA current level includes \$392,280 for trustee fees for the Housing Board which are not in the executive budget; 6) the executive budget provides \$854,036 more general fund authority for the District Court Reimbursement Program than LFA current level; 7) LFA current level provides \$2.4 million of grant authority for the Hard Rock Mining Board which is not included in the executive budget; 8) LFA current level provides \$5.5 million grant authority financed from the coal tax for the Coal Board while the executive budget reallocates coal tax revenues to schools and finances the Coal Board with \$748,874 of general fund; 9) the executive budget funds the Pacific Rim office \$369,389 higher than LFA current level; 10) the executive budget includes 14 budget modifications which add 10.00 FTE and \$2,253,059 to the budget; and 11) the executive budget funds the Science and Technology Program with general fund of \$897,146 while LFA current level continues support of the program with alternative energy funds.

ISSUE 1: VACANCY SAVINGS

The executive has used a 2 percent vacancy savings factor in most programs compared to a 4 percent factor used in LFA current level. As a result, the executive budget is \$272,179 greater than LFA current level.

ISSUE 2: LOTTERY

The executive budget for the lottery is \$23,437,000 higher than LFA current level. Two factors contribute to this difference. First, the executive estimate of lottery revenue is \$3,737,000 higher than LFA current level. Second, LFA current level includes only those portions of the Montana Lottery Program that are not statutorily appropriated. The executive budget includes the complete lottery budget, which includes operating expenses and distributions to schools which are statutorily appropriated.

ISSUE 3: MONTANA PROMOTION

The executive budget includes \$9,366,770 and 15.33 FTE for the Montana Promotion Division. Because these funds are statutorily appropriated, they are not included in LFA current level.

ISSUE 4: VIDEO GAMING - LOCAL ASSISTANCE

The executive budget includes \$14,600,000 for distribution of video gaming receipts to local governments. Because these funds are statutorily appropriated, they are not included in LFA current level.

ISSUE 5: BOARD OF HOUSING CONSULTING SERVICES

It is the opinion of the Board of Housing that the board does not need legislative appropriation authority to expend trustee fees relating to the issuance and administration of Board of Housing bonds. The executive budget does not include funding for these fees, while LFA current level includes funding at the fiscal 1988 level of \$196,140 per year.

ISSUE 6: DISTRICT COURT REIMBURSEMENT

LFA current level includes \$4,396,157 of general fund for grants of the District Court Reimbursement Program, compared to \$5,250,193 in the executive budget. Grants were \$2,227,364 in fiscal 1988. The executive budget includes language that would restrict the level of grants to amount of general fund revenue derived from vehicle taxes.

ISSUE 7: HARD ROCK MINING GRANTS

LFA current level includes \$2,400,000 of grant authority for the Hard Rock Mining Board. The executive budget does not include any dollar specific grant authority for this board, but instead recommends that language be inserted in the appropriation act allowing the board to grant up to \$1.2 million per year.

ISSUE 8: COAL BOARD GRANTS

LFA current level allows \$6,423,736 of coal tax revenues for the Coal Board which includes \$6,109,937 of grant authority. The executive budget has \$748,874 of general fund which includes \$584,941 of Coal Board grant authority. In the executive budget, the coal tax allocation for the Coal Board is reallocated to support public schools.

ISSUE 9: PACIFIC RIM OFFICE

The executive budget includes \$960,708 for the Pacific Rim Office including \$342,676 general fund. LFA current level includes this program at \$591,319 which is based on the level of funding authorized by the legislature for fiscal

1989. Consistent with appropriations which established the Pacific Rim office, LFA current level includes no general fund.

ISSUE 10: FUNDING OF THE SCIENCE AND TECHNOLOGY PROGRAM

LFA current level funds the Science and Technology Program with \$913,500 of alternative energy funds as is done in the 1989 biennium, while the executive budget funds the program with \$897,146 of general fund and reallocates alternative energy funds to the Department of Natural Resources and Conservation budget. (See page C-80.)

ISSUE 11: BUDGET MODIFICATIONS

The executive budget includes 14 budget modifications. These modifications would add 10.00 FTE and \$2,253,059 to the division budget. Table A summarizes the proposed modifications.

Table A
Budget Modifications

	<u>FTE</u>	<u>General Fund</u>	<u>Total Funds</u>
Nursing Newsletter	0.00	\$ -0-	\$ 15,000
Federal Rail Planning	1.50	-0-	100,000
Finance Tech. Assistant	1.00	-0-	120,233
Census Data	0.50	-0-	45,003
Accounting Support	1.00	-0-	45,530
Foreclosures	0.00	-0-	986,000
Tax-Exempt Bond	0.00	-0-	12,500
Elderly Homeowners	0.00	-0-	48,600
Home Improvement Loans	0.00	-0-	34,100
Clerical Support	2.00	-0-	85,300
DOR Workload	0.00	-0-	156,000
Legal Counsel	1.00	-0-	76,400
Gaming Commission	3.00	-0-	516,793
Training-Officials	0.00	-0-	11,600
Total	<u>10.00</u>	<u>\$ -0-</u>	<u>\$2,253,059</u>

DEPARTMENT OF COMMERCE

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - -</u>		<u>% Change 1989-91 Biennium</u>
			<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	
F.T.E.	351.94	344.60	286.60	286.60	(65.34)
Personal Services	\$ 9,171,767	\$ 9,630,891	\$ 8,150,732	\$ 8,170,356	(13.20)
Operating Expenses	22,115,261	14,306,297	7,924,683	7,634,063	(57.28)
Equipment	493,396	301,878	142,770	85,466	(71.30)
Total Operating Costs	\$31,780,424	\$24,239,066	\$16,218,185	\$15,889,885	(42.68)
Non-Operating Costs	34,646,262	43,179,782	35,841,029	33,696,443	(10.65)
Total Expenditures	\$66,426,686 =====	\$67,418,848 =====	\$52,059,214 =====	\$49,586,328 =====	(24.06) =====
<u>Fund Sources</u>					
General Fund	\$ 4,707,997	\$ 4,732,206	\$ 4,627,299	\$ 4,413,051	(4.24)
State Special	12,659,686	13,824,175	12,913,643	12,218,523	(5.10)
Federal Revenue	17,162,375	18,324,820	20,588,070	19,049,391	11.70
Proprietary	31,896,628	30,537,647	13,930,202	13,905,363	(55.42)
Total Funds	\$66,426,686 =====	\$67,418,848 =====	\$52,059,214 =====	\$49,586,328 =====	(24.06) =====

The Department of Commerce encompasses regulatory programs, programs of local assistance, programs designed to promote economic growth and development and programs for the regulation of gambling activities. Regulatory programs include Weights and Measures, Milk Control, Financial, Aeronautics, Building Codes, and Professional and Occupational Licensing. Programs of local assistance are Community Development, Hard Rock Impact, Coal Board, Local Government Block Grant, Indian Affairs Coordinator, Accounting and Management Systems, and Local Government Audit. Programs promoting economic development are Business Assistance, Science and Technology, Investment Division, Montana Promotion, Transportation, Housing, and Research and Information Services. Gambling programs include Video Poker, Horse Racing, and the State Lottery.

Local assistance is provided through direct cash payments as is the case with Coal Board grants, Hard Rock Mining Impact grants, and district court grants and through technical assistance and consultation.

DIRECTOR'S OFFICE

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	22.74	25.20	22.20	22.20	(0.54)
Personal Services	\$654,157	\$684,980	\$657,386	\$658,303	(1.75)
Operating Expenses	160,440	193,391	207,460	137,229	(2.58)
Equipment	9,167	3,142	2,321	1,000	(73.02)
Total Expenditures	<u>\$823,764</u>	<u>\$881,513</u>	<u>\$867,167</u>	<u>\$796,532</u>	<u>(2.44)</u>
<u>Fund Sources</u>					
General Fund	\$ 90,474	\$116,128	\$ 93,181	\$ 92,241	(10.25)
State Special	<u>733,290</u>	<u>765,385</u>	<u>773,986</u>	<u>704,291</u>	<u>(1.36)</u>
Total Funds	<u>\$823,764</u>	<u>\$881,513</u>	<u>\$867,167</u>	<u>\$796,532</u>	<u>(2.44)</u>

The Director's Office provides the department with executive, administrative, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, and the Governor's Office in the effort to improve and stabilize the economic climate in Montana. Included in the Director's Office are the following components:

The Director's Office provides the department with executive, administrative, and policy guidance.

The Management Services Division provides internal support to all agency programs. The services provided include budgeting, accounting, purchasing, contracting, personal administration, payroll, training, and the analysis, development, maintenance, and supervision of department data processing systems and hardware.

Legal Services provides legal advice to department programs.

Consumer Protection responds to consumer complaints as they relate to quality, price, and promises made by the seller or producer.

Budget

The Director's Office was authorized 25.20 FTE by the 1987 legislature. In fiscal 1988 1.00 FTE was transferred to the Video Gaming Control Bureau, 1.00 FTE was transferred to the Board of Investments, and 1.00 FTE was transferred to the Building Codes Bureau. Fiscal 1988 personal services expenses include costs for a 0.54 FTE position that was transferred to the division, but is not included in the current level budget. The personal services budget includes a 1.1 percent vacancy savings factor, which is consistent with fiscal 1988 experience.

The increase in fiscal 1990 operating expenses results from: 1) a \$37,536 expenditure for audit fees, which is a biennial appropriation that is offset by a \$66,919 decrease in fiscal 1991; and 2) a \$10,460 increase in costs related to a new on-line data entry system for the state budgeting and accounting system.

Funding

The Director's Office, Legal Services, and the Management Services Division are financed by charges to other departmental programs. The Consumer Protection Program is financed by general fund. Funding for the Director's Office is summarized in Table 1.

Table 1
Director's Office - Staffing and Funding

	FTE	Fiscal 1990			Fiscal 1990		
		General Fund	Other Funds	Total	General Fund	Other Funds	Total
Director's Office	4.00	\$ -0-	\$203,485	\$203,485	\$ -0-	\$201,451	\$201,451
Management Services	15.20	-0-	547,460	547,460	-0-	479,785	479,785
Legal Services	0.50	-0-	23,041	23,041	-0-	23,055	23,055
Consumer Protection	2.50	93,181	-0-	93,181	92,241	-0-	92,241
Total	22.20	\$93,181	\$773,986	\$867,167	\$92,241	\$704,291	\$796,532

Table 2 shows the source and application of indirect funds. As shown, indirect collections are about equal to expenses in the 1991 biennium. Indirect assessments increase about 7 percent over the 1989 biennium. This increase occurs because current assessments do not meet current costs, and because of a small increase in the Management Services Division budget.

Table 2
Source and Application of Indirect Funds

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$ 26,894*	\$ 41,690
Source of Funds		
Business Regulation	\$ 4,181	\$ 4,181
Weights and Measures	24,278	24,362
Financial	43,146	43,266
Milk Control	15,076	15,084
Professional Licensing	66,336	66,702
Aeronautics	27,449	27,566
Transportation	31,176	31,245
Business Assistance	38,583	38,611
Montana Promotion	30,568	30,676
Section 8 Housing	14,010	14,030
Community Development	31,321	31,366
Research and Information Services	17,278	17,307
Local Government - Audit	59,857	59,947
Local Government - Systems	16,070	16,116
Local Government - Administration	6,994	6,998
Building Codes	65,113	65,341
Indian Affairs	4,517	4,519
Health Facilities	6,635	6,635
Science and Technology	16,392	16,423
Housing	26,798	26,855
Investments	71,523	71,658
Video Gaming	18,569	18,605
Lottery	70,539	68,210
Horse Racing	9,801	9,804
Director - Consumer Affairs	6,160	6,182
Subtotal	\$722,370	\$721,689
Audit Assessments	66,412	-0-
Total Assessments & Beginning Balance	\$815,676	\$763,379
Application of Funds		
Director's Office	\$203,485	\$201,451
Management Services	481,048	479,785
Legal Services	23,041	23,055
Subtotal	\$707,574	\$704,291
Audit Costs	66,412	-0-
Total Expenditures	\$773,986	\$704,291
ENDING BALANCE	<u>\$ 41,690</u>	<u>\$ 59,088</u>

* Estimate based on projection of current income and expenditures.

 BUSINESS REGULATION DIVISION - DIRECTOR

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	1.00	1.00	1.00	1.00	0.00
Personal Services	\$53,771	\$ 51,522	\$ 52,921	\$ 52,950	0.55
Operating Expenses	<u>20,167</u>	<u>101,474</u>	<u>100,244</u>	<u>100,117</u>	<u>64.72</u>
Total Expenditures	<u>\$72,938</u> =====	<u>\$152,996</u> =====	<u>\$153,165</u> =====	<u>\$153,067</u> =====	<u>34.94</u> =====
<u>Fund Sources</u>					
State Special	<u>\$72,938</u> =====	<u>\$152,996</u> =====	<u>\$153,165</u> =====	<u>\$153,067</u> =====	<u>34.94</u> =====

Program Description

This component represents the budget for the operation of the Business Regulation Division administrator and the regulation of passenger tramways, (i.e., ski lifts). The administrator supervises all functions performed by the Building Codes, Milk Control, Professional and Occupational Licensing, and Weights and Measures Bureaus.

Budget

The operating budget includes a \$72,000 per year authorization for legal services, which will only be used if needed to provide legal services to any of the components of the Professional and Occupational Licensing Bureau. The budget for the 1989 biennium is a \$75,000 authorization for legal services, and no expenses were incurred in fiscal 1988. The spending authority is included in the director's budget, but any services provided would be funded by the board utilizing the legal services. The operating budget also includes a \$3,166 increase in inspection costs for ski lifts.

Funding

The administrator's office is funded by charges to bureaus within the division. The tramway regulation function is supported by fees charged to tramway operators.

BUILDING CODES BUREAU

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	30.00	29.00	30.00	30.00	0.00
Personal Services	\$ 763,879	\$ 809,473	\$ 824,228	\$ 827,042	4.96
Operating Expenses	350,562	355,609	361,541	356,187	1.64
Equipment	380	147,580	4,150	2,100	(95.78)
Total Expenditures	<u>\$1,114,821</u>	<u>\$1,312,662</u>	<u>\$1,189,919</u>	<u>\$1,185,329</u>	<u>(2.15)</u>
Fund Sources					
General Fund	\$ 28,759	\$ -0-	\$ 34,508	\$ 32,740	133.83
State Special	<u>1,086,062</u>	<u>1,312,662</u>	<u>1,155,411</u>	<u>1,152,589</u>	<u>(3.78)</u>
Total Funds	<u>\$1,114,821</u>	<u>\$1,312,662</u>	<u>\$1,189,919</u>	<u>\$1,185,329</u>	<u>(2.15)</u>

Program Description

The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, and energy standards to safeguard the public in design and construction of buildings, recreational vehicles, and factory built buildings. The bureau reviews and approves plans, issues building, plumbing, mechanical and electrical permits, issues factory building and recreational vehicle insignias, and inspects buildings and installations.

Budget

The Public Contractor's Licensing Program, including one position, was transferred to the bureau from the Director's Office in fiscal 1988. The personal services budget includes a 3.8 percent vacancy savings factor.

The increase in the fiscal 1990 operating budget results primarily from an \$8,542 increase in rent and indirect assessments.

Funding

All bureau programs except the Public Contractor's Licensing Program are funded with state special revenue associated with inspection and license fees. The Public Contractor's Licensing Program which was transferred from the Director's Office to the Building Codes Bureau in fiscal 1988 is supported by the general fund. Contractor licensing fees are deposited in the general fund. Fiscal 1988 deposits from this source were \$231,500.

PROFESSIONAL AND OCCUPATIONAL LICENSING BUREAU

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	30.43	30.43	30.43	30.43	0.00
Personal Services	\$ 772,593	\$ 839,928	\$ 821,968	\$ 826,653	2.24
Operating Expenses	1,382,295	1,601,805	1,399,891	1,398,318	(6.22)
Equipment	24,201	-0-	7,292	6,335	(43.69)
Total Operating Costs	\$2,179,089	\$2,441,733	\$2,229,151	\$2,231,306	(3.47)
Non-Operating Costs	-0-	100,000	-0-	-0-	(100.00)
Total Expenditures	\$2,179,089 =====	\$2,541,733 =====	\$2,229,151 =====	\$2,231,306 =====	(5.51) =====
Fund Sources					
State Special	\$1,493,474	\$1,835,579	\$2,229,151	\$2,231,306	34.00
Proprietary	685,615	706,154	-0-	-0-	(100.00)
Total Funds	\$2,179,089 =====	\$2,541,733 =====	\$2,229,151 =====	\$2,231,306 =====	(5.51) =====

Program Description

The Professional and Occupational Licensing Bureau provides the administrative and clerical services required by the professional licensing boards. Services provided by the bureau include correspondence, application processing, license issuance, license renewal, continuing education monitoring, investigation of complaints, examination administration and grading, minute taking of board meetings, and maintenance of board records. Services are provided to the following boards:

Board of Athletics	Board of Pharmacists
Board of Architects	Board of Phys. Therapy Examiners
Board of Barbers	Polygraph Licensing
Board of Chiropractors	Board of Private Investigators
Board of Cosmetologists	Board of Professional Engineers and
Board of Dentistry	Land Surveyors
Board of Dentistry	Board of Psychologists
Board of Hearing Aid Dispensers	Board of Public Accountants
Board of Horse Racing	Board of Radiologic Technologists
Board of Landscape Architects	Board of Realty Regulation
Board of Medical Examiners	Board of Sanitarians
Board of Morticians	Board of Social Workers and Professional
Board of Nursing	Counselors
Board of Nursing Home Admin.	Board of Speech Pathologists and
Board of Occupational Therapists	Audiologists
Board of Optometrists	Board of Veterinarians

Budget

The personal services budget represents a continuation of current level staffing, and includes a 4.2 percent vacancy savings factor.

The operating budget represents a continuation of current level spending.

Funding

Each of the boards is funded by licensing fees and assessments on the members of the profession which they represent. The administrative function is funded by assessments against each board.

MILK CONTROL BUREAU					
Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	8.00	8.00	7.00	7.00	(1.00)
Personal Services	\$170,981	\$192,152	\$177,873	\$177,971	(2.01)
Operating Expenses	91,431	87,446	91,803	90,871	2.12
Equipment	297	-0-	300	300	102.02
Total Expenditures	\$262,709 =====	\$279,598 =====	\$269,976 =====	\$269,142 =====	(0.59) =====
Fund Sources					
State Special	\$262,709 =====	\$279,598 =====	\$269,976 =====	\$269,142 =====	(0.59) =====

Program Description

The staff of the Milk Control Bureau is responsible for supervising, regulating, and controlling Montana's milk industry. The bureau investigates all matters pertaining to production, processing, storage, distribution, and sale of milk.

Budget

The personal services budget represents a reduction of 1.00 FTE as a result of elimination of one vacant position. Because of the FTE reduction, no vacancy savings factor was applied.

The fiscal 1988 appropriation for operating expenses included a \$5,998 reserve for an economic consultant, which was not used. This amount was excluded from current level operations, leaving an adjusted base of \$85,433. The only significant change in the operating budget is a \$5,574 increase in indirect assessments for the department and for the Business Regulation Division administration.

Funding

The bureau is funded by assessments on Montana milk products.

WEIGHTS AND MEASURES BUREAU					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	12.00	12.00	12.00	12.00	0.00
Personal Services	\$283,103	\$302,951	\$307,313	\$308,376	5.06
Operating Expenses	108,793	120,527	124,545	122,960	7.93
Equipment	21,654	12,700	12,700	12,700	(26.06)
Total Expenditures	\$413,550 =====	\$436,178 =====	\$444,558 =====	\$444,036 =====	4.57 =====
Fund Sources					
General Fund	\$413,550 =====	\$436,178 =====	\$444,558 =====	\$444,036 =====	4.57 =====

Program Description

The staff of the Weights and Measures Bureau test and inspect all weighing and measuring devices and is responsible for calibrating all weights and measures. The bureau staff is also responsible for quality control for all petroleum products. They investigate complaints concerning violations of weights and measures laws and regulations; regulate labeling, advertising and quality control of prepackaged products; license all state petroleum dealers; and collect all license and scale test fees, as well as impose late penalties.

Budget

The increase in personal services results from the recent hiring of an inspector to fill a position that was vacant in fiscal 1988. The personal services budget represents a continuation of current level staffing and includes a 4 percent vacancy savings factor. The increased operating expenses are primarily: 1) increases in in-state travel costs of \$6,073 which relate to the recently filled inspector position; and 2) increases in indirect assessments of \$7,909, which occurs because division level assessments were not charged to the bureau in fiscal 1988. Equipment is for replacement of vehicles.

Funding

The bureau is funded by general fund. Fees collected by the bureau, which represent about half of the total expenditures, are deposited to the general fund.

FINANCIAL DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	21.00	21.00	21.00	21.00	0.00
Personal Services	\$535,233	\$577,829	\$546,154	\$547,673	(1.73)
Operating Expenses	200,189	207,544	201,713	198,812	(1.77)
Equipment	30,196	-0-	-0-	-0-	(100.00)
Total Expenditures	\$765,618 =====	\$785,373 =====	\$747,867 =====	\$746,485 =====	(3.65) =====
<u>Fund Sources</u>					
State Special	\$765,618 =====	\$785,373 =====	\$747,867 =====	\$746,485 =====	(3.65) =====

Program Description

The Financial Division and the State Banking Board are responsible for chartering, licensing, supervising, and examining state banks, savings and loan associations, credit unions, consumer loan licensees, sales finance companies, and Montana development companies/boards. They are responsible for preventing loss resulting from mismanagement or insolvency of state financial organizations.

Budget

The personal services budget represents a continuation of current level staffing and includes a 4 percent vacancy savings factor.

The operating expense budget represents a continuation of current level operations.

Funding

The program is funded by assessments on state regulated financial institutions.

AERONAUTICS DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	12.99	12.99	11.99	11.99	(1.00)
Personal Services	\$303,258	\$358,541	\$332,971	\$334,338	0.83
Operating Expenses	323,588	307,610	337,410	340,035	7.33
Equipment	<u>33,032</u>	<u>22,892</u>	<u>18,000</u>	<u>12,000</u>	(46.36)
Total Operating Costs	\$659,878	\$689,043	\$688,381	\$686,373	1.92
Non-Operating Costs	<u>150,758</u>	<u>33,000</u>	<u>25,000</u>	<u>25,000</u>	(72.79)
Total Expenditures	<u>\$810,636</u>	<u>\$722,043</u>	<u>\$713,381</u>	<u>\$711,373</u>	(7.04)
<u>Fund Sources</u>					
State Special	\$565,152	\$659,960	\$587,054	\$584,992	(4.33)
Federal Revenue	205,000	-0-	75,000	75,000	(26.83)
Proprietary	<u>40,484</u>	<u>62,083</u>	<u>51,327</u>	<u>51,381</u>	0.14
Total Funds	<u>\$810,636</u>	<u>\$722,043</u>	<u>\$713,381</u>	<u>\$711,373</u>	(7.04)

Program Description

The Division of Aeronautics consists of the Aeronautics Board, the Airport/Airways Bureau, and the Safety and Education Bureau. The Aeronautics Board, allocated to the department for administrative purposes, advises on matters pertaining to aeronautics.

The Airport/Airways Bureau provides technical and financial assistance to communities in airport development, navigational aid development, communications, aviation safety, and aviation planning. Program staff plan, establish, operate, and maintain the state-owned system of airports, navigational aids, and communications facilities.

The Safety and Education Bureau maintains a statewide organization for aerial search and rescue. They serve as the approving agent for Veterans' Administration flight schools, enforce state law on pilot and aircraft regulation, and issue commercial air operator certificates. Bureau personnel plan and organize annual aircraft mechanic refresher seminars and annual flight instructor refresher clinics, and conduct aviation safety programs for pilots in Montana.

Budget

The personal services budget represents a decrease of 1.00 FTE as the result of the elimination of one vacant position, and includes a 4 percent vacancy savings factor.

The operating budget has increased primarily as a result of \$13,000 added for educational grants to allow teachers to attend aerospace teacher workshops. These were budgeted as grants from state sources in prior years, but now are included in operating expenses.

Fiscal 1988 non-operating expenses include \$128,981 of costs associated with repair of the roof at the West Yellowstone Airport. There are no additional funds budgeted for this project.

Funding

The division is funded primarily by state special revenue generated through a 1 cent per gallon tax on aviation fuel. The division also receives federal grant funds to update the state aviation system plan, and generate proprietary fund revenue from operation of the state-owned West Yellowstone Airport.

The Division of Aeronautics is proposing that the current 1 cent per gallon tax on aviation fuel be increased to 2 cents per gallon. Table 3 shows the department's projection of the Division of Aeronautics state special revenue fund. Expenditures are at current level through fiscal 1991. As the table illustrates, the account will become insolvent in the 1991 biennium without an increase in the aviation fuel tax or a reduction in expenditures.

Table 3
Aeronautics Division State Special Revenue Account
Agency Current Level Budget Request Fiscal 1988-1991

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$ 535,595	\$ 432,684	\$202,676	\$ 43,774
Revenue	<u>734,904</u>	<u>732,624</u>	<u>730,824</u>	<u>729,824</u>
Funds Available	\$1,270,499	\$1,165,308	\$933,500	\$ 773,598
Expenses				
Operating	\$ N/A	\$ 659,960	\$587,054	\$ 584,992
Aircraft Reg.	<u>N/A</u>	<u>302,672</u>	<u>302,672</u>	<u>302,672</u>
Total Expenses	\$ <u>837,815</u>	\$ <u>962,632</u>	\$889,726	\$ <u>887,664</u>
Ending Balance	<u><u>\$ 432,684</u></u>	<u><u>\$ 202,676</u></u>	<u><u>\$ 43,774</u></u>	<u><u>\$ (114,066)</u></u>

TRANSPORTATION DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	15.00	12.00	11.00	11.00	(4.00)
Personal Services	\$ 501,823	\$ 387,274	\$ 360,375	\$ 361,177	(18.84)
Operating Expenses	429,911	239,170	363,159	161,239	(21.62)
Equipment	857	-0-	4,000	-0-	366.74
Total Operating Costs	\$ 932,591	\$ 626,444	\$ 727,534	\$ 522,416	(19.83)
Non-Operating Costs	2,396,194	1,771,250	2,259,563	704,684	(28.87)
Total Expenditures	\$3,328,785 =====	\$2,397,694 =====	\$2,987,097 =====	\$1,227,100 =====	(26.41) =====
Fund Sources					
General Fund	\$ 598,803	\$ 510,444	\$ 645,389	\$ 422,121	(3.76)
State Special	71,250	71,250	71,250	71,250	0.00
Federal Revenue	2,297,020	1,816,000	2,270,458	733,729	(26.96)
Other	361,712	-0-	-0-	-0-	(100.00)
Total Funds	\$3,328,785 =====	\$2,397,694 =====	\$2,987,097 =====	\$1,227,100 =====	(26.41) =====

Program Description

The Transportation Division is responsible for development and maintenance of effective transportation systems in Montana. The division staff provides technical, legal, planning, and financial assistance to transportation users, providers, and local governments. They are responsible for rate analysis and development of cost models to assess changes in transportation rates and systems.

Division programs provide technical and financial assistance to shippers, agriculture, rail and trucking industries, inter-city passenger carriers, urban public transportation, and other transportation providers and users. The division is also charged with administering the State Rail Plan and maintaining Montana's eligibility for general railroad assistance funding.

Budget

Fiscal 1988 personal service expenses include three positions that were funded by budget amendments and are not included in the 1991 biennium. One additional position (1.00 FTE) that was contingent upon receipt of federal funds for the urban transit function has also been removed from current level because the federal program does not continue.

The division experienced no vacancy savings in current level positions in fiscal 1988 and no vacancy savings are included in the budget.

Fiscal 1988 operating expenses include \$89,870 in costs funded by budget amendment, leaving base level operating expenses of \$339,979. The operating budget presented is essentially a current level budget except for expenses relating to the McCarty Farms case. These expenses are incurred as consulting and professional fees and as legal fees and court costs. The impact of McCarty Farms expenses on the division operating budget is summarized in Table 4.

Table 4
Transportation Division Operating Expenses

	<u>Fiscal 1988</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Base Level Operating Expenses	\$ 339,979	\$ 363,159	\$161,239
Less: McCarty Farms Costs	<u>(187,267)</u>	<u>(214,400)</u>	<u>(14,400)</u>
Adjusted Base	<u>\$ 152,712</u>	<u>\$ 148,759</u>	<u>\$146,839</u>

Non-operating expenses are summarized in Table 5. The Urban Mass Transit grants are pass-through funds for specific transit programs, such as transit planning and vehicles for the elderly and handicapped. The grants to local transit systems are pass-through of gas tax revenues to city public transportation systems, and county highways or transportation systems. The interest from the Burlington Northern lawsuit provides for on-going rehabilitation of the Central Montana Railroad. The \$500,000 is federal Railroad Administration funding for rail planning and rehabilitation projects.

Table 5
Transportation Division Non-Operating Expenses

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Urban Mass Transit Grants	\$ 633,434	\$633,434
Grants to Local Transit System (Gas Tax Funds)	71,250	71,250
Interest Money from BN Lawsuit Settlement	1,054,879	-0-
Local Rail Assistance	<u>500,000</u>	<u>-0-</u>
Federal Railroad Administration	<u>\$2,259,563</u>	<u>\$704,684</u>

Funding

The division's operating expenses are funded primarily with general funds of \$82,145 in fiscal 1990 and \$100,295 in fiscal 1991, coming from federal urban mass transit funds, and federal rail funds.

The urban mass transit funds do not require any state match. The federal rail funds require a roughly 40 to 60 percent state match for planning projects and a 30 percent state match on other projects. The litigation efforts are funded

entirely with general funds, but the division anticipates that litigation costs associated with the McCarty Farms case will be paid by Burlington Northern and revert to the general fund.

BUSINESS ASSISTANCE DIVISION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	18.00	16.00	18.00	18.00	0.00
Personal Services	\$380,615	\$ 485,556	\$ 518,447	\$ 518,830	19.75
Operating Expenses	580,647	946,433	874,662	881,908	15.03
Equipment	24,265	-0-	7,175	1,250	(65.28)
Total Operating Costs	\$985,527	\$1,431,989	\$1,400,284	\$1,401,988	15.92
Non-Operating Costs	7,500	-0-	182,943	128,278	4049.61
Total Expenditures	\$993,027 =====	\$1,431,989 =====	\$1,583,227 =====	\$1,530,266 =====	28.39 =====
<u>Fund Sources</u>					
General Fund	\$632,618	\$ 633,219	\$ 536,268	\$ 541,284	(14.87)
State Special	272,585	159,257	628,180	577,192	179.12
Federal Revenue	87,824	639,513	418,779	411,790	14.19
Total Funds	\$993,027 =====	\$1,431,989 =====	\$1,583,227 =====	\$1,530,266 =====	28.39 =====
 <u>ISSUES</u>					
	<u>- - - - Fiscal 1990 - - - -</u>		<u>- - - - Fiscal 1991 - - - -</u>		
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Pacific Rim Office	\$ -0-	\$(297,151)	\$ -0-	\$(294,168)	

Program Description

The Business Assistance Division consists of the following programs.

Small Business Advocate and Business Licensing Center - serves as the single contact to help businesses complete all licensing requirements necessary to open or remain in business.

Business Development Assistance Program - assists in providing contracting opportunities to manufacturing firms through the contract procurement market system.

Marketing Assistance Program - aids manufacturers in penetrating product markets on a local, state, regional, and national basis; conducts the "Made in Montana" campaign.

Development Finance Assistance Program - provides technical assistance in the areas of financial analysis and planning, loan packaging, bonding, business tax incentives, and the availability of public and private capital sources.

International Trade (Pacific Rim) Program - aids businesses in marketing their products outside the United States. The Pacific Rim office was established to promote tourism and Montana products in the Far East.

Business Location Program - conducts promotion and recruitment efforts to attract out-of-state firms to Montana.

Local Development Organization Assistance Program - assists local development organizations in retaining, expanding, and recruiting business.

Small Business Development Centers - located in Helena and Glendive to promote the development of small business operations.

Tourism Program - designed to promote tourism in Montana.

Growth Through Agriculture Program - created by the legislature in 1987 to strengthen and diversify Montana's agriculture industry by assisting in the development of innovative agricultural business and the commercialization and marketing of new agricultural products.

Budget

The personal services budget includes an increase of 2.00 FTE over fiscal 1989. The two additional positions are associated with the Growth through Agriculture program. The program, including necessary professional staff, was established by the 1987 legislature but no positions were included in the 1988-89 budget. Personal services includes a 4 percent vacancy savings factor. The fiscal year 1988 personal service expenses do not reflect the full cost of four positions associated with the Small Business Development Program and two positions associated with the Growth Through Agriculture Program, all of which were not filled until late in the year.

The operating budget for the business assistance programs has increased as a result of the following: 1) a \$66,557 increase in consulting services; 2) a \$7,101 increase in printing costs; 3) a \$6,267 increase in long distance charges; and 4) a \$40,591 increase in in-state travel costs. All of the increases are associated with establishment of the Small Business Development Centers. These centers were approved by the 1987 legislature but were started late in fiscal 1988. As a result, fiscal 1988 expenses do not represent a full year of operation.

The tourism program's operating budget increased by about \$20,000 because additional accommodation tax revenue will be available to provide training to persons working in the visitor industry.

The operating budget for the Pacific Rim program represents the level of funding authorized by the legislature for fiscal year 1989, which is about \$84,000 higher than the fiscal 1988 actual because the office was not in operation during the entire fiscal year.

The Growth Through Agriculture Program receives 0.76 percent of the coal severance tax, which is to be used to promote marketing of Montana agricultural products. The \$88,000 increase in the operating budget for the Program results from increased revenue which will fund a contract with the Department of Agriculture to provide marketing services.

The non-operating costs are grants distributed through the Growth Through Agriculture Program.

Funding

Funding for the Business Assistance Division is summarized in Table 6. The general fund support decreases and federal funding increases as a result of implementation of the federal Small Business Development Program. The Tourism Program is funded primarily with accommodations tax receipts. In fiscal 1988 the division used \$51,593 of general fund authority in the Business Assistance Program to support the Pacific Rim Program because the level of private funding received from the Beef and Wheat councils was less than anticipated. The Growth Through Agriculture Program is funded entirely with coal severance tax receipts. Projected fiscal 1990 revenues for the program are \$406,541.

Table 6
Business Assistance Division - Staffing and Funding

	<u>Business Assistance</u>	<u>Tourism</u>	<u>Pacific Rim</u>	<u>Growth Thru Agri</u>	<u>Division Total</u>
FTE					
Fiscal 1988	14.00	1.00	1.00	2.00	18.00
Fiscal 1990	14.00	1.00	1.00	2.00	18.00
General Fund					
Fiscal 1988	\$580,980	\$ 45	\$ 51,593	\$ -0-	\$ 632,618
Fiscal 1990	\$537,653	\$ -0-	\$ -0-	\$ -0-	\$ 537,653
Accommodations Tax					
Fiscal 1988	\$ 32,734	\$52,251	\$ 45,128	\$ -0-	\$ 130,113
Fiscal 1990	\$ 10,000	\$77,494	\$ 40,717	\$ -0-	\$ 128,211
Coal Tax					
Fiscal 1988			\$ 62,172	\$ 60,788	\$ 122,960
Fiscal 1990			\$150,000	\$349,969	\$ 499,969
Federal					
Fiscal 1988	\$ 31,230	\$ 2,095	\$ 14,499		\$ 47,824
Fiscal 1990	\$310,250	\$ 2,095	\$ 25,000		\$ 337,345
Private					
Fiscal 1988	\$19,512		\$ 40,000		\$ 59,512
Fiscal 1990			\$ 81,434		\$ 81,434
Total					
Fiscal 1988	\$664,456	\$54,391	\$213,392	\$ 60,788	\$ 993,027
Fiscal 1990	\$857,903	\$79,589	\$297,151	\$349,969	\$1,584,612

ISSUE 1: PACIFIC RIM OFFICE

The legislature approved the opening of the Pacific Rim (Tokyo) Office in 1987 to promote tourism and Montana products in the Far East. The office was opened in the spring of 1988 and is staffed by a contract employee. A trade showroom to display Montana products was also established in Taipei, and a contract was established with an individual in Taipei to coordinate Montana promotion efforts in Taiwan.

The budget for the Pacific Rim Office was \$177,770 for fiscal 1989, the first full year of operation. The office was to be financed one-third by the accommodations tax, two-thirds by private funds to be provided through the Montana Beef and Wheat Councils.

The 1987 legislature also established the Growth Through Agriculture Program and directed that this program place one full time professional marketing person in Japan and provide assistance for appropriate trade missions of Montana producers, processors, or distributors of agricultural products. This action added about \$150,000 to the fiscal 1989 budget for the Pacific Rim Office, providing a total annual budget of about \$328,000.

The department now estimates that in the 1991 biennium, the annual cost of the Pacific Rim Office will be about \$520,000. The department's proposed budget is shown in Table 7. As shown, the cost has increased significantly and now includes about \$200,000 of general fund support.

Table 7
Pacific Rim Office

<u>Budget Item</u>	- Department Request -		- - Current Level - -	
	Fiscal 1990	Fiscal 1991	Fiscal 1990	Fiscal 1991
Personal Services	\$ 35,015	\$ 35,041	\$ 21,710	\$ 21,726
Operating Expenses	<u>485,070</u>	<u>482,071</u>	<u>275,441</u>	<u>272,442</u>
Total Expenditures	<u>\$520,085</u>	<u>\$517,112</u>	<u>\$297,151</u>	<u>\$294,168</u>
<u>Fund Sources</u>				
General Fund	\$211,069	\$207,878	\$ -0-	\$ -0-
State Special	284,016	284,234	190,717	189,723
Federal and Other	<u>25,000</u>	<u>25,000</u>	<u>106,434</u>	<u>104,445</u>
Total Funds	<u>\$520,085</u>	<u>\$517,112</u>	<u>\$297,151</u>	<u>\$294,168</u>

The efforts of the Pacific Rim Office are focused on four general areas:

- 1) Agriculture -- Investigating areas in which Montana raised products (other than wheat and barley, which are already sold in great quantities) can be exported to Asia.

- 2) Tourism -- Promoting an increase in the number of Asian visitors who vacation in Montana.
- 3) Product Export -- Identifying demands that can be met with existing Montana products, or with products within our manufacturing capabilities.
- 4) Overseas Investment in Montana -- Identifying areas that are suitable for joint ventures and investments in order to encourage Asian capital investment in Montana.

The department has not yet developed any methods to determine whether the program is accomplishing the purposes for which it was established and funded. The performance measures of the International Trade Program for the current biennium are shown in Table 8.

Table 8
Performance Measures - International Trade Program

<u>Activity</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Participation in Major Foreign Trade Shows	1	1
Participation in Major Foreign Trade Missions	1	1
Transmit Telex Messages for Montanans	75	100

The department has also made some effort to measure the activities of the office. For example, they measure such things as the number of contacts made, participation in trade shows, and visits to Montana by Japanese business people. But there is no data to show that these promotion activities have resulted in increased exports of Montana products.

According to the department, the Pacific Rim Program can function only if funded at the requested level. The funding requested represents a significant increase over the level approved when the program was established by the 1987 legislature, and adds over \$200,000 of general fund support.

Option A: Eliminate the Pacific Rim Program.

Option B: Direct the department to develop measurable goals that directly relate to the purpose of the Pacific Rim Office, and report on their success in meeting these goals prior to the end of the 1991 biennium.

MONTANA PROMOTION DIVISION
Statutory Appropriation - Included for Informational Purposes Only

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	14.43	14.00	14.00	14.00	(0.43)
Personal Services	\$ 353,366	\$ 349,857	\$ 379,074	\$ 380,433	8.00
Operating Expenses	2,615,985	3,336,270	3,399,975	3,411,702	14.44
Equipment	<u>74,368</u>	<u>1,100</u>	<u>4,000</u>	<u>1,000</u>	<u>(93.37)</u>
Total Operating Costs	\$3,043,719	\$3,687,227	\$3,783,049	\$3,793,135	12.56
Non-Operating Costs	<u>783,225</u>	<u>1,235,607</u>	<u>1,135,607</u>	<u>1,135,607</u>	<u>12.50</u>
Total Expenditures	<u>\$3,826,944</u>	<u>\$4,922,834</u>	<u>\$4,918,656</u>	<u>\$4,928,742</u>	<u>12.54</u>
<u>Fund Sources</u>					
State Special	\$3,600,571	\$4,572,834	\$4,568,656	\$4,578,742	11.92
Other Revenue	<u>226,373</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>21.45</u>
Total Funds	<u>\$3,826,944</u>	<u>\$4,922,834</u>	<u>\$4,918,656</u>	<u>\$4,928,742</u>	<u>12.54</u>

Program Description

The Montana Promotion Program is responsible for promoting the state of Montana as a vacation destination through advertising, publications, publicity, exhibits, direct contact with tour operators, and motion picture location promotion. The goal is economic development through increased non-resident visitor expenditures and revenues.

Budget

Fiscal 1988 personal services expenses include 0.33 FTE that was transferred from the Business Regulation Division and 0.10 FTE that was added for a temporary project. These 0.43 FTE are not included in the current level budget. The personal services budget for the 1991 biennium includes a 4 percent vacancy savings factor.

The most significant item in the operating budget is advertising expense. In fiscal 1988 advertising expenses were \$1,431,805 of the program's \$2,615,985 operating expenses. In fiscal 1990 the advertising budget increases by \$808,689 to \$2,240,494. This increase, which is based on projected increases in accommodations tax revenues, is the major change in the division's operating expense budget.

Non-operating expenses are that portion of accommodation tax revenues that are passed through to local and regional tourism promotion groups.

Funding

The program is funded accommodations tax revenues and \$350,000 private sector assistance which is shown as other revenue.

The accommodations tax proceeds are statutorily appropriated, and must be distributed as follows:

- 1 percent to the Montana Historical Society for installation or maintenance of roadside historical signs at visitor sites;
- 2.5 percent to the University System for a Montana travel research program;
- The remaining 96.5 percent goes to the Department of Commerce where 75 percent is used to fund department programs, and 25 percent is distributed to regional non-profit tourism corporations.

The proposed use of the department's share of the accommodation tax revenues is as follows:

Table 9
Distribution of Accommodation Tax Receipts
1991 Biennium

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Tourism	\$ 77,494	\$ 77,388
Business Assistance	10,000	10,000
Pacific Rim	40,717	39,723
Montana Promotion Division	4,568,656	4,578,742

HOUSING DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	13.00	14.00	13.00	13.00	0.00
Personal Services	\$ 313,943	\$ 388,068	\$ 324,757	\$ 325,446	(7.38)
Operating Expenses	1,397,493	678,893	1,076,887	1,077,063	3.74
Equipment	-0-	-0-	14,516	-0-	0.00
Total Operating Costs	\$1,711,436	\$1,066,961	\$1,416,160	\$1,402,509	1.45
Non-Operating Costs	2,286	-0-	1,499	1,499	31.15
Total Expenditures	<u>\$1,713,722</u>	<u>\$1,066,961</u>	<u>\$1,417,659</u>	<u>\$1,404,008</u>	<u>1.47</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$1,713,722</u>	<u>\$1,066,961</u>	<u>\$1,417,659</u>	<u>\$1,404,008</u>	<u>1.47</u>

Program Description

The Housing Division was established to provide decent, safe, and sanitary housing in the state which is within the financial capabilities of lower income persons and families. Public moneys are made available through the issuance of revenue bonds to assist private enterprise and governmental agencies in meeting critical housing needs. The board operates both single family and multi-family programs, administers federal housing programs at the state level, renders technical assistance, and conducts other activities which fulfill the program's legislative purpose.

Budget

One assistant administrator position (1.00 FTE) that had been transferred to the Housing Division from the director's office in fiscal 1986 was transferred back to the director's office in fiscal 1988. The personal services budget represents a continuation of remaining 13 positions and includes a 3.9 percent vacancy savings factor.

The fiscal 1988 operating expenses include \$614,101 of expenses that were funded by a budget amendment, leaving an adjusted base of \$783,392. The increases in the proposed budget are the results of: 1) \$11,386 in increased legal costs; and 2) \$270,491 in foreclosure fees caused by increasing rates of loan defaults.

Funding

This program is funded through an administrative charge which is applied to the mortgages the board finances.

 LOCAL GOVERNMENT ASSISTANCE DIVISION - ADMINISTRATION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - - Current Level - - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1989-91</u>
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Services	\$88,901	\$84,551	\$88,529	\$88,576	2.11
Operating Expenses	<u>9,752</u>	<u>13,682</u>	<u>9,692</u>	<u>9,693</u>	<u>(17.28)</u>
Total Expenditures	<u>\$98,653</u>	<u>\$98,233</u>	<u>\$98,221</u>	<u>\$98,269</u>	<u>(0.20)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$98,653</u>	<u>\$98,233</u>	<u>\$98,221</u>	<u>\$98,269</u>	<u>(0.20)</u>

Program Description

The Local Government Assistance Division-Administrator Program represents the budget for the operations of the administrator of the division and the division's legal counsel. The administrator supervises the functions of the Housing Assistance Bureau, the Audit Bureau, and the Systems Bureau, which includes the Local Government Block Grant, District Court Reimbursement, and County Land Planning distribution functions, and the Community Development Bureau, which includes the Coal Board and the Hard Rock Mining Board.

Budget

The budget represents a continuation of current level activities.

Funding

The program is funded by an assessment to all programs in the division.

LOCAL GOVERNMENT ASSISTANCE - SECTION 8 HOUSING BUREAU

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Services	\$ 179,471	\$ 183,206	\$ 177,348	\$ 177,594	(2.13)
Operating Expenses	108,302	104,530	106,443	104,998	(0.65)
Equipment	<u>8,655</u>	<u>696</u>	<u>11,330</u>	<u>350</u>	<u>24.91</u>
Total Operating Costs	\$ 296,428	\$ 288,432	\$ 295,121	\$ 296,942	(1.16)
Non-Operating Costs	<u>9,289,000</u>	<u>9,744,360</u>	<u>12,384,661</u>	<u>12,376,724</u>	<u>30.20</u>
Total Expenditures	<u>\$9,585,428</u>	<u>\$10,032,792</u>	<u>\$12,679,782</u>	<u>\$12,679,666</u>	<u>29.26</u>
Fund Sources					
Federal Revenue	<u>\$9,585,428</u>	<u>\$10,032,792</u>	<u>\$12,679,782</u>	<u>\$12,679,666</u>	<u>29.26</u>

Program Description

The Section 8 Housing Bureau's primary function is to provide rental subsidies on behalf of eligible low-income families or individuals (including elderly, disabled, and handicapped families) and housing assistance through federally funded certificate and voucher programs. The secondary function of the bureau is to upgrade the rental housing stock available to low-income families and individuals through rehabilitation of substandard and marginal rental properties through the Moderate Rehabilitation and Rental Rehabilitation programs.

Budget

The operating budget represents a continuation of current level staffing, and includes a 4 percent vacancy savings factor. The operating budget represents a continuation of the current level of activity. Non-operating costs represent the various federal housing grants administered by the bureau. The Department expects an increase in the federal funding level.

Funding

The program is funded by federal housing assistance funds.

LOCAL GOVERNMENT ASSISTANCE DIVISION - AUDIT BUREAU

Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	28.20	28.20	28.20	28.20	0.00
Personal Services	\$685,743	\$ 758,002	\$ 757,680	\$ 758,817	5.04
Operating Expenses	233,631	250,278	258,528	253,335	5.78
Equipment	<u>4,580</u>	<u>10,500</u>	<u>11,548</u>	<u>16,828</u>	<u>88.17</u>
Total Operating Costs	\$923,954	\$1,018,780	\$1,027,756	\$1,028,980	5.87
Non-Operating Costs	<u>43,560</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.00)</u>
Total Expenditures	<u>\$967,514</u>	<u>\$1,018,780</u>	<u>\$1,027,756</u>	<u>\$1,028,980</u>	<u>3.55</u>
Fund Sources					
General Fund	\$ 43,560	\$ 43,546	\$ 43,760	\$ 44,025	0.78
Proprietary	<u>923,954</u>	<u>975,234</u>	<u>983,996</u>	<u>984,955</u>	<u>3.67</u>
Total Funds	<u>\$967,514</u>	<u>\$1,018,780</u>	<u>\$1,027,756</u>	<u>\$1,028,980</u>	<u>3.55</u>

Program Description

The Local Government Audit Program exists to perform post-audits of the financial statements of local government entities across Montana. The program also performs special entity audits in cases of suspected fraud or misappropriation of funds. The audit function is designed to protect the taxpayers' interests by verifying that the financial conditions and operations are responsibly accounted for and reported, and that all appropriate statutes and regulations are complied with by local officials.

Budget

The personal services budget represents a continuation of the current staffing level. Fiscal year 1988 personal services expenses were low as a result of high turnover in field auditor positions. The proposed budget includes a 4 percent vacancy savings factor.

The increases in the operating budget relate primarily to an increase of \$15,000 for in-state travel expenses as a result of anticipated lower vacancy rates in the field auditor positions and \$5,500 increase in indirect charges.

Funding

The program receives some general fund support to cover non-billable services, but is funded primarily by fees assessed to local governments.

LOCAL GOVERNMENT ASSISTANCE DIVISION - SYSTEMS BUREAU

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1989-91
	1988	1989	1990	1991	Biennium
F.T.E.	7.00	7.00	5.00	5.00	(2.00)
Personal Services	\$ 131,128	\$ 201,642	\$ 153,612	\$ 154,170	(7.51)
Operating Expenses	116,105	117,890	125,218	114,576	2.48
Equipment	-0-	4,250	424	424	(80.05)
Total Operating Costs	\$ 247,233	\$ 323,782	\$ 279,254	\$ 269,170	(3.96)
Non-Operating Costs	2,635,199	2,614,153	2,398,864	2,383,731	(8.89)
Total Expenditures	\$2,882,432	\$2,937,935	\$2,678,118	\$2,652,901	(8.41)
<u>Fund Sources</u>					
General Fund	\$2,372,465	\$2,460,078	\$2,318,070	\$2,320,147	(4.02)
State Special	321,626	311,000	203,270	183,168	(38.92)
Proprietary	188,341	166,857	156,778	149,586	13.75
Total Funds	\$2,882,432	\$2,937,935	\$2,678,118	\$2,652,901	(8.41)

Program Description

The Local Government Systems Program is responsible for development, implementation, and maintenance of uniform budgetary, accounting, and reporting systems for Montana cities, towns, counties, school districts, and single purpose districts. The staff provides special accounting assistance to local officials, ongoing training for local finance personnel, and coordinates technical advice and assistance between state agencies and local governments. The District Court Reimbursement Program and the County Land Planning Program are also included in this program.

Budget

The personal services budget represents a reduction of 2.00 FTE as the result of eliminations of two vacant accounting positions and includes a 4 percent vacancy savings factor.

The only significant increase in the operating expense budget was a \$8,582 increase in indirect costs.

Funding

The local government systems function is funded approximately one-third by general funds and two-thirds by charges to local government units. The District Court Reimbursement Program is supported by general funds, and the County Land Planning Program is funded by coal tax revenues. Budgeted expenditures for the Court Reimbursement Program are \$2,254,476 in fiscal 1990 and \$2,259,493

in fiscal 1991. Budget expenditures for the County Land Planning Program are \$203,270 for fiscal 1990 and \$183,168 for fiscal 1991. The decline is a result of falling coal tax revenues.

LOCAL GOVERNMENT ASSISTANCE DIVISION - COMMUNITY DEVELOPMENT					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	13.00	13.00	13.00	13.00	0.00
Personal Services	\$ 390,313	\$ 391,632	\$ 395,118	\$ 395,688	1.13
Operating Expenses	249,463	258,620	257,806	258,172	1.55
Equipment	1,907	-0-	100	100	(89.51)
Total Operating Costs	\$ 641,683	\$ 650,252	\$ 653,024	\$ 653,960	1.16
Non-Operating Costs	6,315,831	6,474,607	9,425,605	8,882,096	43.14
Total Expenditures	\$6,957,514 =====	\$7,124,859 =====	\$10,078,629 =====	\$9,536,056 =====	39.29 =====
Fund Sources					
General Fund	\$ 214,625	\$ 213,995	\$ 204,040	\$ 209,250	(3.58)
State Special	2,014,355	1,464,349	4,783,745	4,240,402	159.41
Federal Revenue	4,728,534	5,446,515	5,090,844	5,086,404	(0.02)
Total Funds	\$6,957,514 =====	\$7,124,859 =====	\$10,078,629 =====	\$9,536,056 =====	39.29 =====

Program Description

The Community Development Program receives, awards, administers, and monitors federal Housing and Urban Development funds intended to assist local governments with public facilities, housing, and economic development needs. Technical assistance is provided to local governments through training workshops, publications, and data retrieval. The Coal Board and Hard Rock Mining Board also operate within this program.

The Coal Board provides grants to local governments where adverse impacts have occurred as a result of large-scale coal development. The program is administered by a gubernatorial appointed board that acts on applications from local governments for public facilities or services intended to relieve the coal industry's related demand for public services and facilities.

The Hard Rock Mining Board assists mineral developers and local government units prepare, and implement impact plans for new, large-scale hard rock mines; arbitrates disputes between local governments and mining companies; makes determinations on impact plan waivers; and awards grants and loans to mitigate fiscal and economic impacts of mine work force reduction and closure. The Hard Rock Mining Board receives one-third of the metalliferous mines license tax. The revenue from the license tax after administrative expenses, is transferred to a

hard rock mining impact trust account. If the mine is shut down or reduces its production by over 50 percent, the county can apply for use of the trust account fund for the impact costs of the reduced tax revenues.

Budget

The personal services budget represents a continuation of current level staffing, and includes a 1 percent vacancy savings factor which is supported by actual vacancy levels in fiscal year 1988.

The only significant change in the operating budget is a \$4,765 increase in departmental indirect charges and a \$4,394 increase in statewide indirect charges.

Non-operating costs represent the grants to local governments. Grant activity of the various programs is summarized in Table 10. As shown, grant activity increases in all these programs.

Table 10
Community Development Grants

	<u>Fiscal 1988</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Coal Board Grants	\$1,772,144	\$3,326,723	\$2,783,214
Hard Rock Mining Grants	-0-	1,200,000	1,200,000
Community Development Block Grants	<u>4,543,687</u>	<u>4,898,882</u>	<u>4,898,882</u>
Total	<u>\$6,315,831</u>	<u>\$9,425,605</u>	<u>\$8,882,096</u>

The increase in Coal Board grants is based on anticipated availability of funds which results from an increase in the allocation of coal tax revenues to the board from 1.52 percent to 6.65 percent of the coal tax. Senate Bill 228 of the 1987 legislature temporarily reduced the Coal Board's allocation of the tax revenue from 6.65 percent to 1.52 percent. The Hard Rock Mining Board had no grant activity in fiscal 1988. The Department expects an increase in the level of federal Community Development Block Grant funding.

Funding

The Community Development Program receives federal Housing and Urban Development funds, and also receives general funds which are used as a match for the operating costs of the program. The Coal Board is funded with 6.65 percent of the coal severance tax income, and the Hard Rock Mining Board is funded with 33 percent of the metalliferous mines license tax. Staffing and funding are summarized in Table 11.

Table 11
Community Development Program
Staffing and Funding

	FTE	- - - - Fiscal Year 1990 - - - -			- - - - Fiscal Year 1991 - - - -		
		General Fund	Other Funds	Total	General Fund	Other Funds	Total
Community Assistance	3.00	\$139,405	\$ -0-	\$ 139,405	\$139,615	\$ -0-	\$ 139,615
Coal Board	2.50	-0-	3,483,641	3,483,641	-0-	2,940,095	2,940,095
Hard Rock Mining Board	2.00	-0-	1,300,104	1,300,104	-0-	1,300,307	1,300,307
Community Dev Blk Grant	5.50	64,635	5,090,844	5,155,479	69,635	5,086,404	5,156,039
Total	13.00	\$204,040	\$9,874,589	\$10,078,629	\$209,250	\$9,326,806	\$9,536,056

INVESTMENT DIVISION

Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - -		% Change 1989-91 Biennium
			Fiscal 1990	Fiscal 1991	
F.T.E.	25.80	25.00	25.00	25.00	0.80
Personal Services	\$ 912,346	\$ 894,624	\$ 874,288	\$ 875,857	(3.14)
Operating Expenses	349,292	447,714	349,041	342,656	(13.21)
Equipment	63,006	1,759	12,000	12,000	(62.94)
Total Operating Costs	\$1,324,644	\$1,344,097	\$1,235,329	\$1,230,513	(7.60)
Non-Operating Costs	3,354,389	3,924	-0-	-0-	(100.00)
Total Expenditures	\$4,679,033	\$1,348,021	\$1,235,329	\$1,230,513	(59.09)
Fund Sources					
General Fund	\$ 2,605	\$ -0-	\$ -0-	\$ -0-	(100.00)
Proprietary	4,676,428	1,348,021	1,235,329	1,230,513	(59.07)
Total Funds	\$4,679,033	\$1,348,021	\$1,235,329	\$1,230,513	(59.09)

Program Description

The Investment Division, through the Board of Investments, has the sole authority to invest state funds. The board directs the investment of state funds in accordance with the Montana Constitution and state statutes. The Division also administers the Coal Tax Loan Program, the Industrial Development Revenue Bond Program, and the Municipal Finance Program.

Budget

Fiscal 1988 personal services expenses includes 0.80 FTE as a result of transferring a position to the division for part of the year. The 0.80 FTE is not included in the current level budget. The personal services budget includes a 1.8 percent vacancy savings factor, which is supported by actual fiscal 1988 experience.

In the operating budget, audit costs associated with division operations and with bonding programs have decreased by about \$12,000 from \$60,112 in fiscal 1988 to \$48,162 in fiscal 1990. The decrease in audit costs has been offset by a \$13,000 increase in consulting costs, as a result of the cost of additional independent evaluation of investment results.

The fiscal 1988 non-operating costs are a transfer of coal tax interest to the general fund, which is a non-budgeted expense.

Funding

The Investment Division is funded from investment income.

HEALTH FACILITIES AUTHORITY					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Services	\$ 79,681	\$ 74,418	\$ 83,987	\$ 84,270	9.19
Operating Expenses	<u>53,906</u>	<u>47,965</u>	<u>52,905</u>	<u>52,381</u>	<u>3.35</u>
Total Expenditures	<u>\$133,587</u>	<u>\$122,383</u>	<u>\$136,892</u>	<u>\$136,651</u>	<u>6.87</u>
Fund Sources					
Proprietary	<u>\$133,587</u>	<u>\$122,383</u>	<u>\$136,892</u>	<u>\$136,651</u>	<u>6.87</u>

Program Description

The Montana Health Facility Authority issues revenue bonds and notes to finance capital projects for public and private non-profit health facilities at borrowing rates below those otherwise available. Two types of programs are operated by the authority: one to provide financing for individual facilities and the other to satisfy the capital needs of a pool of institutions.

Budget

The personal services and operating budgets represent a continuation of current level efforts.

Funding

The Health Facilities Authority is funded by bond fee income.

MONTANA SCIENCE AND TECHNOLOGY ALLIANCE					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	5.00	6.00	3.00	3.00	(2.00)
Personal Services	\$ 170,113	\$ 190,020	\$112,468	\$112,468	(37.54)
Operating Expenses	210,096	99,869	49,652	49,587	(67.98)
Equipment	23,283	2,290	-0-	-0-	(100.00)
Total Operating Costs	\$ 403,492	\$ 292,179	\$162,120	\$162,055	(53.40)
Non-Operating Costs	1,011,736	1,222,881	297,894	309,431	(72.82)
Total Expenditures	\$1,415,228	\$1,515,060	\$460,014	\$471,486	(68.22)
<u>Fund Sources</u>					
State Special	\$1,343,246	\$1,410,000	\$460,014	\$471,486	(66.17)
Proprietary	71,982	105,060	-0-	-0-	(100.00)
Total Funds	\$1,415,228	\$1,515,060	\$460,014	\$471,486	(68.22)

Program Description

In 1985 the legislature created the Office of Science and Technology to strengthen and diversify Montana's economy by encouraging scientific and technological development within the state. In 1987 the legislature passed House Bill 600 providing authority for the Science and Technology Board to issue bonds to provide seed capital for technology investments. In July of 1988 the Montana Supreme Court determined that House Bill 600 was unconstitutional, and the Board subsequently decided that no new seed capital investments would be made.

Budget

The proposed budget represents the level of funding and activity in the program prior to establishment of the seed capital program.

Funding

This program is funded with alternative energy funds.

MONTANA LOTTERY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	38.24	35.00	0.00	0.00	(38.24)
Personal Services	\$ 934,025	\$ 863,417	\$ -0-	\$ -0-	(100.00)
Operating Expenses	3,098,440	4,114,583	985,000	985,000	(72.69)
Equipment	41,977	42,000	-0-	-0-	(100.00)
Total Operating Costs	\$ 4,074,442	\$ 5,020,000	\$ 985,000	\$ 985,000	(78.34)
Non-Operating Costs	18,134,302	20,080,000	8,865,000	8,865,000	(53.60)
Total Expenditures	\$22,208,744	\$25,100,000	\$9,850,000	\$9,850,000	(58.36)
<u>Fund Sources</u>					
Proprietary	\$22,208,744	\$25,100,000	\$9,850,000	\$9,850,000	(58.36)

Program Description

The Montana State Lottery was created by the electorate through the passage of Referendum 100 during the 1986 general election. The enabling legislation became effective January 1, 1987, and the first lottery tickets were sold on June 24, 1987. As currently operated, the Lottery markets instant lottery games in which a player purchases a ticket for one dollar and rubs off a latex coating on the ticket to determine if he has won.

The 1987 Lottery Act provided a specific allocation formula for all lottery revenues: 45 percent of the revenue may be used as prize money; 35 percent of the revenue is distributed to the Superintendent of Public Instruction for distribution to school districts; 15 percent of the revenue may be used for general administration of the lottery program; and 5 percent may be used to pay commissions to the retailers of lottery tickets. The following table shows the actual allocation of lottery revenues for fiscal 1988.

Table 12
Fiscal 1988 Allocation of Lottery Revenue

	Formula Allocation (Percent)	Fiscal 1988 Expenditures	Actual Allocation (Percent)
Commissions	5.0	\$ 1,169,378	5.3
Administration	15.0	3,186,193	14.3
Prizes	45.0	9,477,279	42.7
Local Schools	35.0	8,375,894	37.7
Total	100.0	\$22,208,744	100.0

As shown in Table 12, the actual allocation of lottery revenues was somewhat at variance with the formula proscribed by the legislature. Less money was actually spent for administration expenses and prizes than authorized, with more funds going to commission payments and local school districts. The under expenditure for prizes is almost totally off set by an increased transfer of lottery revenue to local school districts. Included in the administration costs shown in Table 12 are \$281,129 of interest payments related to the lottery start-up loan. These costs are reported as a non-operating expenditure in the state's accounting system.

The Montana Lottery has not generated the level of revenue that was anticipated during the 1987 legislative session. For each year of the 1989 biennium, the lottery was expected to generate \$25,100,000. During fiscal 1988, \$21,062,464 of revenue was generated and the lottery's current projection for fiscal 1989 is that \$19,700,000 in revenues will be generated through the sale of lottery tickets and license fees. During fiscal 1988, the lottery was able to draw on \$1,500,000 general fund that had been authorized during the 1987 session to the lottery as a loan for start-up costs. However, start-up funds are not available during fiscal 1989, which has forced the lottery to make significant reductions in their projected operating expenses for fiscal 1989.

Budget

In the 1989 biennium all lottery expenses were included in the General Appropriation Act, even though operating expenses and payments to schools are statutorily appropriated. As a result, the fiscal 1988 actual expenses and fiscal 1989 appropriations data shown in the table above includes all lottery expenses.

The current level budget for the Montana lottery includes only commission and wage expenses which are not statutorily appropriated, and is based on projected revenues of \$19,700,000. The operating expenses represent commission payments and non-operating expenses represent prize expenses.

The operating expenses and payment to schools are statutorily appropriated. Table 13 shows the allocation of statutorily appropriated lottery expenses based on an annual revenue of \$19,700,000.

Table 13
Statutorily Appropriated Lottery Expenses

<u>Budget Item</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
FTE	35.00	35.00
Personal Services	\$ 891,470	\$ 892,902
Operating Expenses	2,002,330	2,012,098
Equipment	61,200	50,000
Total Operating Costs	\$2,955,000	\$2,955,000
Non-Operating Costs	6,895,000	6,895,000
Total Expenditures	<u>\$9,850,000</u>	<u>\$9,850,000</u>
<u>Fund Sources</u>		
Other	<u>\$9,850,000</u>	<u>\$9,850,000</u>

The following table shows the 1991 biennium current level budget and allocation of all lottery revenues.

Table 14
Current Level Funding and Allocation
Of Lottery Revenues

	<u>Formula Allocation Percent</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>Biennium Total</u>
Commissions	5.0	\$ 985,000	\$ 985,000	\$ 1,970,000
Operating	15.0	2,955,000	2,955,000	5,910,000
Prizes	45.0	8,865,000	8,865,000	17,730,000
Local Schools	35.0	6,895,000	6,895,000	13,790,000
Total	<u>100.0</u>	<u>\$19,700,000</u>	<u>\$19,700,000</u>	<u>\$39,400,000</u>

The current level funding for the Montana Lottery Program shown in Table 14 is consistent with the legislatively authorized funding formula and the amount of revenue that can realistically be anticipated without significant changes in the operation of the Lottery Program. Because current Montana statutes limit the amount of lottery revenue that may be used for operating expense to 15 percent of total revenue collected, the current level estimate of lottery revenue allows \$231,193 less for operating expenses in fiscal 1990 and 1991 than was spent in fiscal 1988.

Funding

As passed during the 1987 session, the Lottery Act requires that all lottery revenue must be deposited in the state treasury, except money for prizes paid immediately by a sales agent and necessary funds for the sales agent's commission. The Lottery Act also provides statutory appropriation authority for funds to pay the operating expenses of the lottery and distribution of funds to local school districts. Current level funding for the Lottery Program is based on the estimated revenues for the 1991 biennium and allocated according to the distribution formula specified in the Lottery Act of 1987.

HORSE RACING BUREAU					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	4.78	4.78	4.78	4.78	0.00
Personal Services	\$103,282	\$113,782	\$119,301	\$119,301	9.92
Operating Expenses	100,614	119,564	111,901	111,743	1.57
Equipment	7,258	-0-	2,000	2,000	(44.89)
Total Expenditures	\$211,154 =====	\$233,346 =====	\$233,202 =====	\$233,044 =====	4.89 =====
Fund Sources					
State Special	\$211,154 =====	\$233,346 =====	\$233,202 =====	\$233,044 =====	4.89 =====

Program Description

The Horse Racing Bureau is responsible for adopting rules to govern horse racing meets and the parimutuel system in Montana. The rules adopted govern the licensing of all racing personnel, the establishment of dates for race meets, veterinary practices, and standards in connection with race meets, auditing, supervision, and investigations related to parimutuel racing.

Budget

The personal services budget includes a 4 percent vacancy savings factor. The bureau uses part-time employees as needed, depending on the level of racing activity. The proposed budget is higher than fiscal 1988 actual expenses as a result of anticipated increases in the need for part-time employees as the number of race days increase.

The operating budget increased about \$9,000 as a result of increases in those activities associated with anticipated increases of about 15 racing days, such as the additional race stewards and auditors, and about \$1,500 as a result of increased indirect assessments.

Funding

The Horse Racing Bureau is funded by state special revenue, which is a 1 percent tax on gross horse racing betting receipts.

VIDEO GAMING BUREAU					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	- - - Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	10.00	9.00	9.00	9.00	(1.00)
Personal Services	\$180,214	\$196,196	\$206,188	\$206,633	9.67
Operating Expenses	345,107	349,270	376,270	375,397	8.25
Equipment	113,741	51,781	34,914	18,079	(67.98)
Total Expenditures	\$639,062 =====	\$597,247 =====	\$617,372 =====	\$600,109 =====	(1.52) =====
Fund Sources					
State Special	\$639,062 =====	\$597,247 =====	\$617,372 =====	\$600,109 =====	(1.52) =====

Program Description

The Video Gaming Control Bureau is responsible for regulation of Montana's video poker and electronic keno industries. As part of their regulatory function, the bureau tests and approves gambling machines for operation in the state, issues licenses for each machine, and collects license fees. The bureau contracts with the Department of Revenue to conduct field investigations of potential irregularities in gambling devices. The bureau is also responsible for collection and distribution of the 15 percent gambling tax assessed on the net proceeds of each gambling machine.

Budget

Fiscal 1988 personal services expenses include one position that transferred from the Director's Office. This position is not included in the current level budget. Operating expenses increase \$31,119 between fiscal 1988 actual expenditures and the current level fiscal 1990 budget. The increase is primarily attributable to: 1) an \$15,000 increase in rent charges caused by the bureau's move during fiscal 1988; 2) \$6,000 increase in telephone charges associated with installation and lease of the bureau's telephone system; and 3) a \$5,000 increase in the indirect charges made by the department for administrative and support services provided to the bureau.

Funding

Funding for the program is from state special revenue generated through the licensing of gambling devices. Funds generated through licensing of all gambling machines are deposited in a state special revenue account. These funds are used

exclusively for costs related to operations of the Video Gaming Bureau. At the end of fiscal 1988, there was approximately \$1,000,000 as an ending fund balance in the account.

INDIAN AFFAIRS

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Services	\$54,254	\$55,396	\$60,032	\$60,069	9.53
Operating Expenses	<u>27,993</u>	<u>25,812</u>	<u>28,373</u>	<u>28,004</u>	<u>4.78</u>
Total Expenditures	<u>\$82,247</u> =====	<u>\$81,208</u> =====	<u>\$88,405</u> =====	<u>\$88,073</u> =====	<u>7.97</u> =====
<u>Fund Sources</u>					
General Fund	<u>\$82,247</u> =====	<u>\$81,208</u> =====	<u>\$88,405</u> =====	<u>\$88,073</u> =====	<u>7.97</u> =====

Program Description

The Indian Affairs Coordinator serves as the Governor's liaison with the state's Indian tribes and provides information and policy support to state, local, and federal officials in the areas of tribal affairs and Indian law. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs.

Budget

The proposed budget represents a continuation of current level efforts.

Funding

The Indian Affairs Coordinator is supported with general fund.

RESEARCH AND INFORMATION SERVICES

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	7.33	7.00	7.00	7.00	(0.33)
Personal Services	\$176,689	\$195,874	\$197,788	\$198,154	6.28
Operating Expenses	73,226	80,348	74,539	83,782	3.09
Equipment	<u>10,572</u>	<u>1,188</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.00)</u>
Total Expenditures	<u>\$260,487</u>	<u>\$277,410</u>	<u>\$272,327</u>	<u>\$281,936</u>	<u>3.04</u>
Fund Sources					
General Fund	\$228,291	\$237,410	\$219,120	\$219,134	(5.89)
Federal Revenue	<u>32,196</u>	<u>40,000</u>	<u>53,207</u>	<u>62,802</u>	<u>60.69</u>
Total Funds	<u>\$260,487</u>	<u>\$277,410</u>	<u>\$272,327</u>	<u>\$281,936</u>	<u>3.04</u>

Program Description

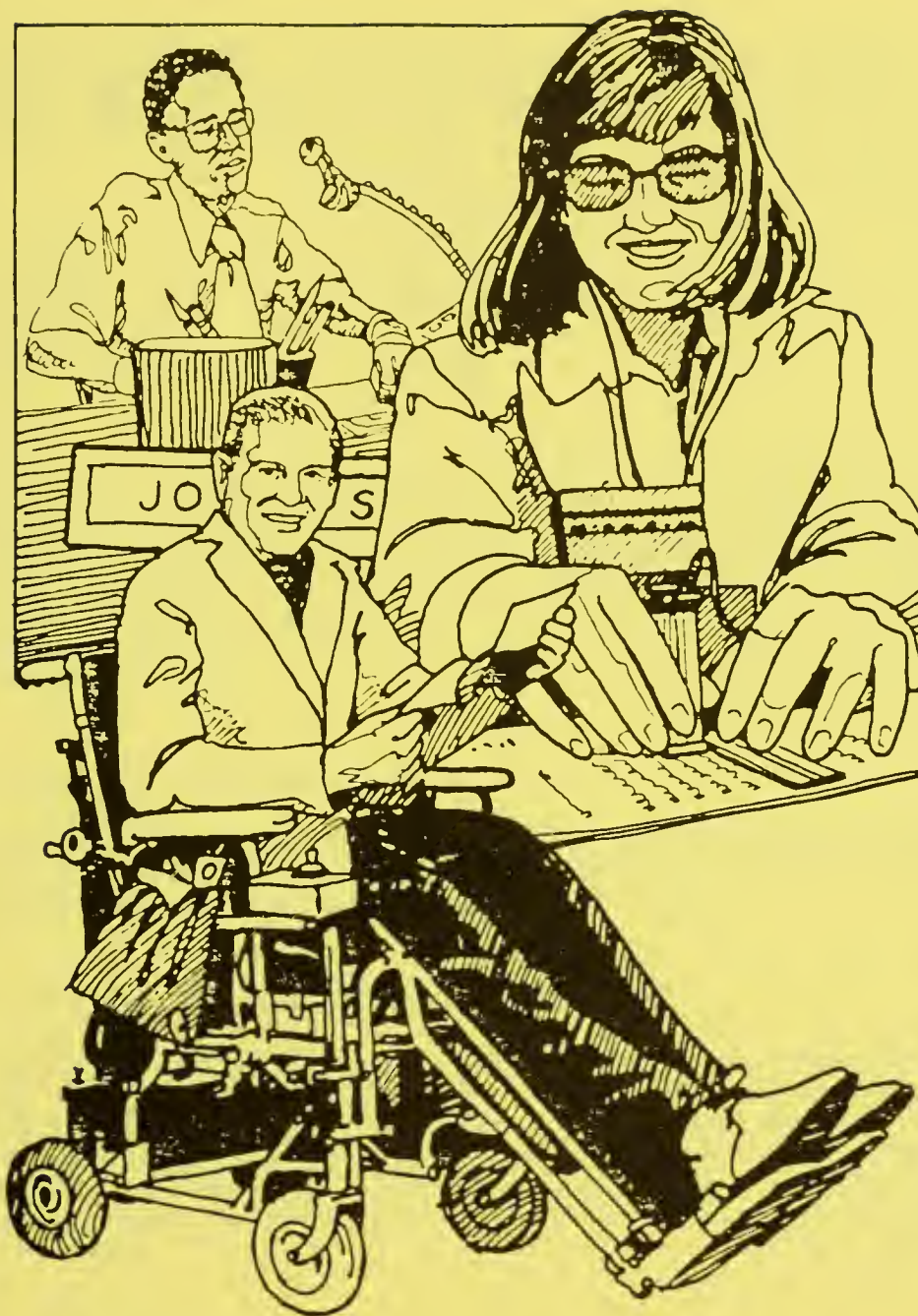
The Office of Economic Policy and Research is the central planning, coordination, and analysis unit for the department's programs. Primary functions include monitoring Montana's economy, formulating policy recommendations through the Governor's Council on Economic Development, conducting specific economic analysis projects, coordinating the departmental economic development policy group, distributing economic and demographic information through the Census and Economic Information Center, and presenting information on the department's economic development programs. This office also supervises staffing of the Montana Ambassadors.

Budget

Fiscal 1988 personal services expenses includes 0.33 FTE as a result of a part-time position being transferred to the program in fiscal 1988. This 0.33 FTE is not included in the current level budget. The personal services budget represents a continuation of current level staffing and includes a 4 percent vacancy savings factor. The operating budget represents a continuation of current level.

Funding

The program receives general fund support, and federal economic development grants.



INSTITUTIONS AND CULTURAL EDUCATION

DEPARTMENT OF INSTITUTIONS - CENTRAL OFFICE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE <u>Fiscal 1991</u>	- - - - - Biennium - - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	156.50	\$22,058,419	\$31,154,085
LFA Current Level	<u>150.50</u>	<u>21,422,410</u>	<u>27,155,783</u>
Executive Over (Under) LFA	<u>==6.00</u>	<u>\$ 636,009</u>	<u>\$ 3,998,302</u>

The difference between the executive budget and LFA current level is due to a number of factors, including: 1) a difference in the vacancy savings rate applied; 2) projected increases in corrections population by the executive; 3) the inclusion of a \$1.9 million statutory appropriation in the executive budget; 4) equipment and contingency funds in LFA current level; 5) the elimination of all contract dental expenses by the executive; and 6) \$1.9 million of modified budgets added by the executive.

ISSUE 1: VACANCY SAVINGS

The executive budget has \$146,283 general fund and \$10,400 other funds for the biennium more than LFA current level because the executive used a 2 percent vacancy savings rate while LFA used 4 percent.

ISSUE 2: AVERAGE DAILY POPULATION INCREASES

The executive budget includes two additions for expected increases in average daily population (ADP) which are not in LFA current level: 1) \$18,138 general fund for the biennium in the Women's Correctional Program for an expected inmate increase of 5 ADP at the Women's Correctional Center at Warm Springs; and 2) \$142,696 general fund over the biennium in the Corrections Medical Program for increased medical costs at Montana State Prison and the Women's Correctional Center.

ISSUE 3: EQUIPMENT

LFA current level includes the average of fiscal 1986, 1987, and 1988 expenditures for equipment in the Corrections Division, which would allow for the purchase of 10 automobiles. The executive funds one vehicle, high band radios, and breathalizers which results in LFA current level being over the executive budget by \$60,776 general fund for the biennium.

ISSUE 4: JAIL CONTINGENCY

LFA current level includes a general fund contingency of \$24,728 for the biennium in the Women's Correctional Program to enable the department to place

troublesome inmates in local jails. This expense is not included in the executive budget.

ISSUE 5: DENTAL EXPENSES

The executive budget deletes \$88,951 general fund for contracted dental services for Montana State Prison in the Corrections Medical Program because 1.00 FTE dentist position was included in the executive budget at the prison. LFA current level does not include the dentist position and retains contracted dental expenses.

ISSUE 6: EARMARKED ALCOHOL GRANTS TO COUNTIES

The executive budget includes \$1,900,000 for the biennium of alcohol tax revenues anticipated to be granted to counties. Because these funds are statutorily appropriated in Section 53-24-206, MCA, they are not included in LFA current level.

ISSUE 7: MODIFIED BUDGETS

The executive includes seven modified budgets summarized in Table A.

Table A
Central Office - Modified Budgets
1991 Biennium

<u>Modified Budget</u>	<u>Fiscal 1991</u>	<u>1991 Biennium</u>		
	<u>FTE</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
1. Intensive Supervision Program	5.00	\$425,876	\$ -0-	\$ 425,876
2. Pre-Release Centers	0.00	72,465	-0-	72,465
3. Homeless Grant	0.00	-0-	550,000	550,000
4. Human Resource Devel. Prog.*	0.00	-0-	34,074	34,074
5. Community Support Program	0.00	-0-	49,640	49,640
6. Mental Health Planning	1.00	-0-	162,224	162,224
7. Block Grant	<u>0.00</u>	<u>-0-</u>	<u>639,024</u>	<u>639,024</u>
 Total	 <u>6.00</u> <u>====</u>	 <u>\$498,341</u> <u>=====</u>	 <u>\$1,434,962</u> <u>=====</u>	 <u>\$1,933,303</u> <u>=====</u>

*0.62 FTE in fiscal 1990

Intensive Supervision Program - to establish intensive supervision programs (ISP) at Missoula and Great Falls and maintain the current program at Billings as recommended by the Governor's Criminal Justice and Corrections Advisory Council.

Pre-Release Centers - to fund a 2 percent per year increase for the contracted pre-release centers at Great Falls, Butte, and Billings.

Homeless Grant - to continue a program begun under budget amendment in fiscal 1988 to provide outreach and case management services to mentally ill persons who are either homeless or in danger of becoming homeless.

Human Resource Development Program - to continue a program begun under budget amendment in fiscal 1988 which will assist the state in developing the capacity to plan and implement the management of human resources.

Community Support Program - to continue the program begun under budget amendment in fiscal 1988 to strengthen consumer and family organizations designed to serve mentally ill persons in the community or assist those coming out of state institutions.

Mental Health Planning - to assist the state in developing an ongoing, comprehensive mental health planning process and state mental health plan.

Block Grant - for an expected increase in federal Alcohol and Drug Treatment and Rehabilitation Block Grant (ADTR) funds.

CENTRAL OFFICE

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	152.80	150.50	150.50	150.50	(2.30)
Personal Services	\$ 3,787,264	\$ 3,888,353	\$ 3,829,093	\$ 3,838,404	(0.11)
Operating Expenses	2,992,923	3,352,766	3,184,376	3,019,512	(2.23)
Equipment	199,954	5,510	45,851	45,557	(55.51)
Total Operating Costs	\$ 6,980,141	\$ 7,246,629	\$ 7,059,320	\$ 6,903,473	(1.86)
Non-Operating Costs	6,792,524	6,451,443	6,596,681	6,596,309	(0.38)
Total Expenditures	<u>\$13,772,665</u>	<u>\$13,698,072</u>	<u>\$13,656,001</u>	<u>\$13,499,782</u>	<u>(1.15)</u>
<u>Fund Sources</u>					
General Fund	\$10,613,209	\$10,961,258	\$10,773,004	\$10,649,406	(0.70)
State Special	311,470	332,221	328,919	309,982	(0.74)
Federal Revenue	2,847,986	2,398,315	2,548,031	2,540,394	(3.01)
Other	-0-	6,278	6,047	-0-	(3.68)
Total Funds	<u>\$13,772,665</u>	<u>\$13,698,072</u>	<u>\$13,656,001</u>	<u>\$13,499,782</u>	<u>(1.15)</u>
<u>ISSUES</u>					
	- - - Fiscal 1990 - - -		- - - Fiscal 1991 - - -		
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Changes in OBRA Regulations					
Option A:	\$214,362	\$ -0-	\$200,181	\$ -0-	
Option B:	-0-	-0-	-0-	-0-	
2. HPI Contract					
Option A:	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Option B:	218,559	-0-	242,777	-0-	
Option C:	70,498	-0-	70,412	-0-	

Program Description

The Central Office of the Department of Institutions provides direction and administrative support for the state's institutions and community programs involving corrections, mental health, and chemical abuse, as well as the institutional programs for the developmentally disabled. Programs within the Central Office are: the Director's Office, the Corrections Division, the Management Services Division, and the Treatment Services Division, consisting of the former Alcohol and Drug Abuse and Mental Health and Residential Services Divisions.

Budget

FTE decrease by 2.3 due to the deletion of FTE added to the Mental Health and Corrections Divisions by budget amendment in fiscal 1988. Personal services

decrease by 0.1 percent due to an increase in vacancy savings in the Women's Corrections Program in the Corrections Division as compared to the appropriated fiscal 1989 level.

Operating expenses decrease by 2.2 percent due primarily to maintenance of funding for the pre-release centers in the 1991 biennium at the actual fiscal 1988 average daily population (ADP) of 114, while fiscal 1989 includes funding for 120 ADP.

Equipment decreases 55.5 percent. Fiscal 1988 includes \$67,574 in equipment added by budget amendment. In addition, vacancy savings was used to purchase equipment in fiscal 1988.

Non-operating expenses consist of grants to local drug and alcohol programs and the community mental health centers. The Treatment Services Division received a supplemental of \$150,000 in fiscal 1988. Grants are maintained at the fiscal 1988 level, minus the supplemental amount.

Funding

General fund supports the Director's Office, Management Services Division, with the exception of some audit costs, the Mental Health Bureau of the Treatment Services Division, and the Corrections Division.

State special revenue consists of alcohol tax revenues, which support the administrative costs of the Chemical Dependency Bureau of the Treatment Services Division, and motor vehicle and canteen funds from Montana State Prison for audit costs in the Management Services Division.

Federal revenue includes Supplemental Security Income (SSI) funds, and block grant funds in the Treatment Services Division, and boarder reimbursement from Montana State Prison for audit costs in the Management Services Division. Federal funds decrease 3 percent due to the deletion of funds added in the Corrections, Alcohol and Drug Abuse, and Mental Health Divisions by budget amendments in fiscal 1988.

Other revenue is proprietary funds from Montana State Prison, also in the Management Services Division for audit costs.

ISSUE 1: CHANGES IN OBRA REGULATIONS

The federal Omnibus Reconciliation Act of 1987 (OBRA) made major changes in federal requirements for medicaid reimbursement of health care facilities. The major area of change is the elimination of the distinction between intermediate care facilities and skilled nursing facilities, requiring higher levels of service and care in intermediate care facilities. Three institutions are currently certified by medicaid as intermediate care facilities: Center for the Aged, 70 of the 90 nursing beds at the Montana Veterans' Home, and several units at Montana State Hospital, including the long-term care unit at Warm Springs and the intermediate care units at Galen. Montana Developmental Center and Eastmont Human Services Center are certified as Intermediate Care Facilities for the Mentally Retarded, and were not impacted by the changes. The following is an overview of changes in the law expected to have a financial impact on the institutions, and their requested modified budgets to address the changes.

The two main areas of impact are in provision of service and professional staffing:

1. Provision of Service

a. Nurse and psychiatric aides must now have completed a state-approved training and competency evaluation program and be certified as competent; new aides must complete 75 hours of training.

b. Nursing facilities with more than 120 beds must employ at least one full-time social worker. This provision only affects the Center for the Aged, which was also cited as deficient in social services under the Intermediate Care Facilities standards.

c. Facilities must maintain a quality assessment and assurance committee.

d. Facilities must conduct an annual review of psycho-pharmaceutical medications. This requirement will take effect in fiscal 1991.

e. Facilities must have a medical director. This provision only affects the Center for the Aged, as Montana State Hospital and the Montana Veterans' Home have medical directors. This requirement will take effect in fiscal 1991.

2. Professional Staffing

a. Facilities must have 24-hour, 7 days per week licensed nursing coverage. According to the department of health, it is not clear at this time whether the regulations require 24-hour registered nurse (RN) coverage, or whether licensed practical nurse (LPN) coverage is sufficient. Under current requirements an RN must be on duty for 8 consecutive hours 7 days a week.

The following table summarizes the estimated costs to the Center for the Aged, Montana State Hospital, and the Montana Veterans' Home due to the new OBRA regulations. The number of aggregate aide positions is based upon current aides receiving 75 hours training in the first year of the biennium, and only positions which have turnover receiving 75 hours in the second year at the Center for the Aged and the Montana Veterans' Home. Montana State Hospital currently provides 35 to 40 hours of training to aides, but aides in the other institutions do not receive structured training. The number of aides required at Montana State Hospital is determined based on 35-40 additional training hours.

Table 1
Summary of Estimated Budget Requirements due to OBRA Regulations
1991 Biennium

	Fiscal 1990				Fiscal 1991			
	CFA	MSH	MVH	Total	CFA	MSH	MVA	Total
<u>Staff Training</u>								
Aggregate Aides FTE	1.30	1.03	1.01	3.34	0.27	0.38	0.50	1.15
RN Trainer FTE	1.00	0.00	0.00	1.00	1.00	0.00	0.00	1.00
Personal Services	\$44,890	\$15,697	\$15,467	\$ 76,054	\$ 29,218	\$ 5,819	\$ 7,657	\$ 42,694
Supplies	<u>3,528</u>	<u>2,364</u>	<u>2,364</u>	<u>8,256</u>	<u>1,739</u>	<u>1,042</u>	<u>1,042</u>	<u>3,823</u>
Total	\$48,418	\$18,061	\$17,831	\$ 84,310	\$ 30,957	\$ 6,861	\$ 8,699	\$ 46,517
<u>Medical Director</u>								
Contracted Services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 41,320	\$ -0-	\$ -0-	\$ 41,320
<u>Review of Medications</u>								
Contracted Services	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 14,560	\$ 5,900	\$11,112	\$ 31,572
<u>Quality Assurance- Incr. Nurse Coverage</u>								
RN FTE	1.00	2.00	1.00	4.00	1.00	3.00	1.00	5.00
Personal Services	\$24,727	\$55,335	\$24,277	\$104,339	\$ 24,826	\$83,407	\$24,422	\$132,655
Operating Expenses	<u>981</u>	<u>-0-</u>	<u>-0-</u>	<u>981</u>	<u>997</u>	<u>-0-</u>	<u>-0-</u>	<u>997</u>
Total	\$25,708	\$55,335	\$24,277	\$105,320	\$ 25,823	\$83,407	\$24,422	\$133,652
<u>Social Workers</u>								
FTE	1.00	0.00	0.00	1.00	1.00	0.00	0.00	1.00
Personal Services	\$24,732	\$ -0-	\$ -0-	\$ 24,732	\$ 24,832	\$ -0-	\$ -0-	\$ 24,832
<u>Aggregate</u>								
FTE	4.30	3.03	2.01	9.34	3.27	3.38	1.50	7.15
Personal Services	\$94,349	\$71,032	\$39,744	\$205,125	\$ 78,876	\$89,226	\$32,079	\$200,181
Operating Expenses	<u>4,509</u>	<u>2,364</u>	<u>2,364</u>	<u>9,237</u>	<u>58,616</u>	<u>6,942</u>	<u>12,154</u>	<u>77,712</u>
Total Gen. Fund	<u>\$98,858</u>	<u>\$73,396</u>	<u>\$42,108</u>	<u>\$214,362</u>	<u>\$137,492</u>	<u>\$96,168</u>	<u>\$44,233</u>	<u>\$277,893</u>

Either the state or the prospective aides would assume all or a portion of the responsibility for receiving training certification. Aides are from grade 7 to

grade 9, with a salary range of \$12,665 to \$14,542 for beginning positions. At the time of this writing, it was not clear who would be responsible for developing or conducting the training courses, or administering or grading competency evaluations. No funds are requested in the modified budgets submitted by the institutions for outside training, but either assume the training would be conducted by current staff or request RN positions to conduct the training in-house.

No additional funds for implementation of the new regulations have been made available by the federal government. However, medicaid rates paid to facilities are anticipated to take into account the additional costs.

Option A: Appropriate to each institution funding to meet OBRA requirements, which would add 9.34 FTE and \$214,362 general fund in fiscal 1990, and 7.15 FTE and \$277,893 general fund in fiscal 1991.

Option B: Take no action.

ISSUE 2: HPI DRUG CONTRACT FOR PHARMACY SERVICES

In January of fiscal 1988, the Department of Institutions entered into a contract with a company called HPI Health Care Services, Inc. to provide drug services to the institutions. All pharmacist positions at Montana State Hospital, Montana Developmental Center, Montana Veterans' Home, the Center for the Aged, and Montana State Prison, were eliminated or are being requested as converted positions, and the contract with HPI now provides all pharmacist functions. In addition, the state pays HPI for the cost of all drugs prescribed and administered.

Table 2 compares expenditures for drugs at each institution in the first six months of fiscal 1988, before the contract, with expenditures in the last six months, after HPI took over all pharmacy functions.

Table 2
Comparison of Drug Costs - 1st Six Months to 2nd Six Months
Fiscal 1988

<u>Institution</u>	<u>1st Six Months</u>	<u>Average Month</u>	<u>2nd Six Months</u>	<u>Average Month</u>	<u>% Increase 1st to 2nd Six Months</u>
Montana State Hospital	\$ 94,032	\$15,672	\$173,169	\$28,862	84.2
Montana Veterans' Home	36,534	6,089	47,267	7,878	29.4
Montana Developmental Center	33,325	5,554	67,484	11,247	102.5
Center for the Aged	20,894	3,482	33,141	5,524	58.6
Montana State Prison	41,422	6,904	68,379	11,397	65.1
Total	\$226,207 =====	\$37,701 =====	\$389,440 =====	\$64,908 =====	72.2 =====

As shown in Table 2, total expenditures for drug costs have increased 72.2 percent under HPI.

Table 3 shows the number of pharmacists and pharmacy technicians in fiscal 1988 at each of the institutions, and the approximate cost of those positions if they had been maintained in the 1991 biennium, and compares this cost to the HPI administration fees requested in the 1991 biennium.

Table 3
Comparison of HPI Administration Costs to Pharmacy Positions Costs
1991 Biennium

Institution	FY90	FY90	Percent		FY91	FY91	Percent	
	HPI	Pharmacy			HPI	Pharmacy		
	Admin.	Pers. Serv.			Admin.	Pers. Serv.		
		Costs	Diff.	Diff.		Costs	Diff.	Diff.
MSH	\$262,466	\$131,149	\$131,317	100.13	\$275,590	\$131,787	\$143,803	109.12
MVH	30,426	14,906	15,520	104.12	31,947	14,992	16,955	113.09
MDC	64,975	57,206	7,769	13.58	68,224	57,108	11,116	19.46
CFA	24,309	20,745	3,564	17.18	25,525	20,828	4,697	22.55
MSP	11,389	13,908	(2,519)	(18.11)	11,958	13,904	(1,946)	(14.00)
Total	<u>\$393,565</u>	<u>\$237,914</u>	<u>\$155,651</u>	<u>65.42</u>	<u>\$413,244</u>	<u>\$238,619</u>	<u>\$174,625</u>	<u>73.18</u>

As shown in Table 3, the Department of Institutions would spend more than \$155,000 in fiscal 1990 and \$174,000 in fiscal 1991 for HPI administration fees than they would have for pharmacists and pharmacy technicians.

The department has indicated that difficulties in recruiting and retaining pharmacists at the prevailing state compensation contributed to the decision to contract for pharmacy services. Pharmacists are currently grade 14, with a salary range from approximately \$19,726 to \$27,427, excluding benefits. Pharmacy technicians are grade 8, with a salary ranging from \$12,509 to \$17,553. No studies have been done of salaries of a cross section of pharmacists in the state. However, various sources estimated salaries at between \$25,000 and \$35,000 per year, depending on whether the pharmacist is working for an independent store, a hospital, or a chain store. A study compiled by the Department of Administration showed institutional pharmacist salaries in other states in the region at approximately \$32,000 per year. Assuming an average salary of \$30,000, to make state positions commensurate with private industry and surrounding states it would be necessary to increase pharmacy positions three grades. Table 4 shows the cost of upgrading the pharmacy and the pharmacy technician positions three grades and compares this to the current level cost of the positions as well as the contracted pharmacy costs.

Table 4
Comparison - Current Personal Services Costs to Upgrades
1991 Biennium

	<u>Currently in Budget</u>	<u>Raise Three Grades</u>	<u>Difference</u>
- - - - - Comparison - Current Personal Services to Upgrades - - - - -			
Fiscal 1990	\$214,003	\$284,501	\$(70,498)
Fiscal 1991	214,985	285,397	(70,412)
- - - - - Comparison - HPI to Upgrades - - - - -			
Fiscal 1990	\$393,565	\$284,501	\$109,064
Fiscal 1991	413,244	285,397	127,847

The table shows that an additional \$70,000 each year would be needed to upgrade the pharmacy positions, but that costs would still be over \$100,000 lower than HPI fees each year.

- Option A: Approve current level which includes 9.0 FTE pharmacist positions, and maintains drugs at the fiscal 1988 actual level, plus inflation. Any costs of terminating the HPI contract, which runs until 1991, are not included.
- Option B: Include funding for drugs and the HPI contract at the requested level, and eliminate all pharmacy positions. This option would require an additional \$218,559 in fiscal 1990 and \$242,777 in fiscal 1991 of general fund, which is the difference between current level and the agency's requested level.
- Option C: Maintain drugs at the fiscal 1988 level plus inflation, and increase funding for pharmacy positions to raise three grade levels. Direct the department to seek a reclassification of pharmacist positions from the Department of Administration. This option would require an additional \$70,498 in fiscal 1990 and \$70,412 in fiscal 1991 of general fund.

DIRECTOR'S OFFICE

<u>Budget Item</u>	Actual Fiscal <u>1988</u>	Appropriated Fiscal <u>1989</u>	- - - Current Level - - - Fiscal <u>1990</u>	Fiscal <u>1991</u>	% Change 1989-91 <u>Biennium</u>
F.T.E.	9.00	9.00	9.00	9.00	0.00
Personal Services	\$317,284	\$333,872	\$330,199	\$331,082	1.55
Operating Expenses	43,722	43,405	45,721	46,002	5.28
Equipment	14,161	-0-	-0-	-0-	(100.00)
Total Expenditures	\$375,167 =====	\$377,277 =====	\$375,920 =====	\$377,084 =====	0.07 =====
<u>Fund Sources</u>					
General Fund	\$375,167 =====	\$377,277 =====	\$375,920 =====	\$377,084 =====	0.07 =====

Program Description

The Director's Office of the Central Office coordinates and directs the administrative tasks of the Department of Institutions. The director, through his staff and administrative programs, assures the financial solvency and integrity of the department, assures that uniform and appropriate legal and inmate/patient treatment policies are maintained, and oversees the construction and maintenance programs of the institution campuses.

Budget

Personal services increase 1.6 percent due primarily to vacancy savings totaling 8.6 percent in fiscal 1988, compared with 4.0 percent budgeted in fiscal years 1989 through 1991. The department used vacancy savings to purchase equipment in fiscal 1988.

Operating expenses increase 5.3 percent due primarily to an increase of \$2,206 in fiscal 1990 and \$2,216 in fiscal 1991 in Department of Administration insurance costs, additional maintenance contracts of \$1,172, and rent increases of \$773 in fiscal 1990 and \$807 in fiscal 1991. One-time secretarial service costs of \$2,264 were eliminated at the agency's request.

Funding

The Director's Office is funded completely with general fund.

MANAGEMENT SERVICES DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	28.00	28.00	28.00	28.00	0.00
Personal Services	\$636,299	\$679,654	\$674,258	\$675,026	2.53
Operating Expenses	150,100	284,750	317,391	158,030	9.33
Equipment	36,071	1,050	294	-0-	(99.21)
Total Operating Costs	\$822,470	\$965,454	\$991,943	\$833,056	2.07
Non-Operating Costs	46,816	-0-	-0-	-0-	(100.00)
Total Expenditures	\$869,286	\$965,454	\$991,943	\$833,056	(0.53)
	=====	=====	=====	=====	=====
Fund Sources					
General Fund	\$869,286	\$946,946	\$973,804	\$833,056	(0.52)
State Special	-0-	4,521	4,455	-0-	(1.46)
Federal Revenue	-0-	7,709	7,637	-0-	(0.93)
Other	-0-	6,278	6,047	-0-	(3.68)
Total Funds	\$869,286	\$965,454	\$991,943	\$833,056	(0.53)
	=====	=====	=====	=====	=====

Program Description

The Management Services Division provides technical assistance to the institutions in budgeting, accounting, and other management areas. The Reimbursement Bureau is responsible for billing and collecting for services provided to residents in the state's institutions. The Information and Systems Bureau is responsible for coordinating data processing projects within the department. The Fiscal Bureau provides fiscal information and support services to the Central Office, and technical assistance to the seven institutions in budgeting, accounting, and payroll.

Budget

Personal services increase 2.5 percent primarily due to the realization of 9.9 percent vacancy savings in fiscal 1988, compared with a budgeted level of 4.0 percent in fiscal years 1989 through 1991. The division used vacancy savings to purchase equipment in fiscal 1988.

Operating costs increase 9.3 percent. Audit costs of \$159,111 are added in fiscal 1990. Of the total 1989 biennial audit appropriation of \$162,440, \$18,675 was expended in fiscal 1988. Other major additions to the budget include on-line SBAS costs totaling \$12,849 each year, an increase in insurance costs of \$5,880 in fiscal 1990 and \$6,183 in fiscal 1991, and an increase in computer maintenance costs of \$5,462 each year.

Equipment is replacement of secretarial chairs totaling \$294 in fiscal 1990, which is the agency request.

Non-operating expenses in fiscal 1988 consisted of the lease/purchase of computer hardware.

Funding

All operations of the division with the exception of the legislative audit are funded with general fund. The following table shows funding of the legislative audit in fiscal 1990.

Table 5
Legislative Audit Funding
Fiscal 1990

<u>Fund Source</u>	<u>Fiscal 1990</u>
General Fund	\$140,972
State Special Revenue	
Alcohol Tax	\$ 3,978
Motor Vehicle	159
MSP Canteen	<u>318</u>
Total State Special Revenue	\$ 4,455
Federal Revenue	
Chemical Dependency Mental Health	\$ 6,683
MSP Boarder Reimbursement	<u>954</u>
Total Federal Revenue	\$ 7,637
Other Revenue	
MSP Ranch	\$ 2,068
MSP Industries	3,183
MSP Industries Training	<u>796</u>
Total Other Revenue	\$ <u>6,047</u>
Total Audit Fees	<u><u>\$159,111</u></u>

CHEMICAL DEPENDENCY BUREAU

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	9.00	9.00	9.00	9.00	0.00
Personal Services	\$ 227,517	\$ 257,235	\$ 249,129	\$ 249,807	2.93
Operating Expenses	88,139	88,954	95,835	80,675	(0.33)
Equipment	19,219	3,000	1,000	1,000	(91.00)
Total Operating Costs	\$ 334,875	\$ 349,189	\$ 345,964	\$ 331,482	(0.97)
Non-Operating Costs	1,630,638	1,333,511	1,483,289	1,483,289	0.08
Total Expenditures	\$1,965,513 =====	\$1,682,700 =====	\$1,829,253 =====	\$1,814,771 =====	(0.11) =====
Fund Sources					
General Fund	\$ 215,190	\$ 215,200	\$ 215,200	\$ 215,200	0.00
State Special	310,886	326,700	323,464	308,982	(0.81)
Federal Revenue	1,439,437	1,140,800	1,290,589	1,290,589	0.04
Total Funds	\$1,965,513 =====	\$1,682,700 =====	\$1,829,253 =====	\$1,814,771 =====	(0.11) =====

Program Description

The Chemical Dependency Bureau, formerly the Alcohol and Drug Abuse Division, administers chemical dependency programs and distributes state funds to certified community programs. The bureau approves treatment facilities and programs, certifies and establishes standards for chemical dependency counselors, plans and provides training for approved programs, and prepares a long-term state chemical dependency plan.

Budget

Personal services increase 2.9 percent. As part of the consolidation of the Alcohol and Drug Abuse Division and the Mental Health and Treatment Services Division, a 1.0 FTE administrative officer V was transferred from this bureau to the Mental Health Bureau, and a 0.5 FTE division administrator and a 0.5 FTE secretary were transferred from the Mental Health Bureau to this bureau. In addition, vacancy savings of 4.0 percent is taken in the 1991 biennium, compared with an actual rate of 12.9 percent in fiscal 1988. The vacancy savings funds were used to purchase equipment in fiscal 1988.

Operating expenses decrease 0.3 percent. The increase from fiscal 1988 to fiscal 1990 is due primarily to two factors: 1) fiscal 1990 contract audit expenses increase \$5,148; and 2) insurance costs increase \$1,902 in fiscal 1990 and \$1,999 in fiscal 1991.

Non-operating expenses increase 0.08 percent, and consist of two grants: 1) general fund and federal block grants to local drug and alcohol programs; and

2) federal block grants to supplement county alcohol revenues. Table 6 shows non-operating expenses in fiscal 1988 and the appropriated fiscal 1989 expenditures.

Table 6
Chemical Dependency Bureau - Total Non-Operating Expenses
Fiscal 1988 and 1989

	<u>Gen. Fund</u>	<u>Fed. Block</u>	<u>Total Approp. Non-Oper. Expenses</u>	<u>Alcohol Revenues</u>	<u>Total Non-Oper. Expenses</u>	<u>FY88-89 % Diff.</u>
----- Fiscal 1988 -----						
Drug & Alcohol	\$215,190	\$ 895,603	\$1,110,793	\$ -0-	\$1,110,793	
County Payment	<u>-0-</u>	<u>371,697</u>	<u>371,697</u>	<u>1,280,180</u>	<u>1,651,877</u>	
Total	<u>\$215,190</u>	<u>\$1,267,300</u>	<u>\$1,482,490</u>	<u>\$1,280,180</u>	<u>\$2,762,670</u>	
Suppl. Co. Pmt.	\$ -0-	\$ 148,148	\$ 148,148	\$ -0-	\$ 148,148	
Total	<u>\$215,190</u>	<u>\$1,415,448</u>	<u>\$1,630,638</u>	<u>\$1,280,180</u>	<u>\$2,910,818</u>	
----- Fiscal 1989 -----						
Drug & Alcohol	\$215,200	\$ 818,864	\$1,034,064	\$ -0-	\$1,034,064	(6.9)
County Payment	<u>-0-</u>	<u>449,447 **</u>	<u>449,447</u>	<u>1,283,949*</u>	<u>1,733,396</u>	<u>4.9</u>
Total	<u>\$215,200</u>	<u>\$1,268,311</u>	<u>\$1,483,511</u>	<u>\$1,283,949</u>	<u>\$2,767,460</u>	<u>0.2</u>
Suppl. Co. Pmt.	\$ -0-	\$ (150,000)	\$ (150,000)	\$ -0-	\$ (150,000)	--
Total	<u>\$215,200</u>	<u>\$1,118,311</u>	<u>\$1,333,511</u>	<u>\$1,283,949</u>	<u>\$2,617,460</u>	<u>(10.1)</u>

*Estimate based upon estimated alcohol tax revenues and appropriated disbursements.

**County supplements are dependent upon the level of alcohol tax revenues available. The figure in the table is the level anticipated by the 1987 legislature.

County alcohol tax funds are statutorily appropriated and do not appear in the main table. County alcohol funds in fiscal 1989 are based on estimated revenues and disbursements. The bureau received a supplemental of \$150,000 of federal block grant to allocate to the counties to offset reductions in alcohol tax revenues in fiscal 1988, resulting in the decline from fiscal 1988 to fiscal 1989 in total non-operating expenditures. Of this total, \$148,148 was expended.

In the 1991 biennium, grants are maintained at the level expended in fiscal 1988 prior to supplemental funding. The following table shows non-operating expenses from fiscal 1988 through fiscal 1991.

Table 7
Chemical Dependency Bureau - Appropriated Non-Operating Expenses
Fiscal 1988 Through Fiscal 1991

<u>Program</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Drug and Alcohol				
General Fund	\$ 215,190	\$ 215,200	\$ 215,200	\$ 215,200
Federal Block Grant	<u>895,603</u>	<u>818,864</u>	<u>896,392</u>	<u>896,392</u>
Total Drug & Alcohol	\$1,110,793	\$1,034,064	\$1,111,592	\$1,111,592
County Payment				
Federal Block Grant	\$ 371,697	\$ 449,447	\$ 371,697	\$ 371,697
Supplemental Federal	<u>148,148</u>	<u>(150,000)</u>	<u>-0-</u>	<u>-0-</u>
Total County Payment	\$ 519,845	\$ 299,447	\$ 371,697	\$ 371,697
Total Non-Operating	<u>\$1,630,638</u>	<u>\$1,333,511</u>	<u>\$1,483,289</u>	<u>\$1,483,289</u>

Due to an increase in the anticipated level of federal block grants, the department is requesting additional federal block grant authority of \$319,512 each year in a modified.

Funding

The bureau has four funding sources: 1) general fund, 2) earmarked alcohol tax revenues, 3) federal Supplemental Security Income (SSI) funds, and 4) federal block grant funds.

General fund is granted to local drug programs, and is maintained at the fiscal 1988 level of \$215,200.

State special revenue consists of earmarked alcohol tax funds. The Department of Institutions is statutorily allocated 65.5 percent of the liquor license tax, \$1 of the \$1.30 beer tax, and \$.0834 of the \$.27 wine tax, for programs for the treatment, rehabilitation, and prevention of alcoholism. A portion is used to administer state functions, with the remainder statutorily appropriated to the counties based 85 percent on population and 15 percent on land area. The following table shows allocations of the alcohol tax.

Table 4
Earmarked Alcohol Tax
Fiscal 1988 Through Fiscal 1991

	<u>Alcohol Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>Requested Fiscal 1990</u>	<u>Requested Fiscal 1991</u>
Beginning Balance	\$ -0-	\$ 33,842	\$ -0-	\$ -0-
<u>Revenues</u>				
Beer Tax	\$ 696,980	\$ 682,000	\$ 682,000	\$ 689,000
Wine Tax	484,690	434,000	414,000	414,000
Liquor Tax	2,177,071	2,123,510	2,149,710	2,198,180
Galen Reimbursements	<u>107,445</u>	<u>190,000</u>	<u>146,810</u>	<u>150,438</u>
Total Funds Available	\$3,466,186	\$3,429,510	\$3,392,520	\$3,451,618
<u>Disbursements</u>				
Chemical Dependency Admin.	\$ 310,882	\$ 326,700	\$ 323,464	\$ 308,982
Prison	46,310	51,424	52,008	51,994
Pine Hills	29,662	29,760	29,582	29,607
Galen	1,595,600	1,595,609	1,595,601	1,595,601
Swan River	25,875	28,617	26,948	26,962
Forensics Lab	143,835	143,232	180,032	177,827
Audit	<u>--</u>	<u>4,061</u>	<u>3,978</u>	<u>-0-</u>
Total Disbursements	<u>\$2,152,164</u>	<u>\$2,179,403</u>	<u>\$2,211,613</u>	<u>\$2,190,973</u>
Funds Avail. for Counties	<u>\$1,280,180*</u>	<u>\$1,283,949</u>	<u>\$1,180,907</u>	<u>\$1,260,645</u>
<u>*Actual distribution</u>				

Federal SSI funds support a portion of administration and total \$22,500 each year of the biennium. As stated earlier, federal block grant funds are granted to local drug and alcohol programs and supplement county alcohol tax revenues. Federal block grants total \$1,268,089 each year of the biennium.

MENTAL HEALTH BUREAU

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	5.80	5.00	5.00	5.00	(0.80)
Personal Services	\$ 179,664	\$ 185,368	\$ 183,786	\$ 184,262	0.83
Operating Expenses	69,611	56,987	49,825	50,073	(21.09)
Equipment	15,703	-0-	-0-	-0-	(100.00)
Total Operating Costs	\$ 264,978	\$ 242,355	\$ 233,611	\$ 234,335	(7.76)
Non-Operating Costs	5,112,496	5,116,391	5,112,496	5,112,496	(0.04)
Total Expenditures	\$5,377,474 =====	\$5,358,746 =====	\$5,346,107 =====	\$5,346,831 =====	(0.40) =====
Fund Sources					
General Fund	\$4,104,600	\$4,108,940	\$4,096,302	\$4,097,026	(0.25)
Federal Revenue	1,272,874	1,249,806	1,249,805	1,249,805	(0.91)
Total Funds	\$5,377,474 =====	\$5,358,746 =====	\$5,346,107 =====	\$5,346,831 =====	(0.40) =====

Program Description

The Mental Health Bureau, formerly the Mental Health and Treatment Services Division, provides administrative supervision and coordination for the institutional and community programs for the mentally ill, developmentally disabled, geriatrics with emotional problems, and veterans. Community based services for the mentally ill are provided through contracts administered by the Mental Health Bureau with the five private, non-profit regional community mental health centers (CMHC). The bureau contracts for inpatient, emergency, day treatment, transitional living, community living support, outpatient, and prevention services. Funding for these programs is provided by general fund, federal block grant funds, medicaid, participating counties' general fund, and private reimbursement.

Budget

FTE is reduced 0.8 and personal services increase 0.8 percent. The bureau received two budget amendments in fiscal 1988, adding 0.8 FTE and \$11,954 in personal services. With the elimination of these factors, FTE remains constant and personal services increase by 4.2 percent. As part of the consolidation of this bureau and the Chemical Dependency Bureau, a 0.5 FTE division administrator and a 0.5 FTE secretary have been transferred to the Chemical Dependency Bureau, while a 1.0 FTE administrative assistant has been transferred to this bureau. In addition, vacancy savings of 4.0 percent is applied in the 1991 biennium, compared to an actual rate of 14.1 percent in fiscal 1988. The vacancy savings funds were used to purchase equipment in fiscal 1988.

Operating expenses decrease 21.1 percent. Budget amendments in fiscal 1988 totaled \$11,115, and without these expenses operating expenses decrease 13.5 percent primarily due to two factors. First, under new regulations, the federal government mandates that the state have a mental health advisory council. Because the council is a new expense, it is not included in current level and fiscal 1988 expenditures of \$3,976 for two meetings were removed. The department proposed funding the council with general fund of \$8,899 each year of the 1991 biennium; however, according to the department, additional federal funds used for the budget amendment in fiscal 1988 will be available in the 1991 biennium and could be used to fund the council. Second, the department expended \$5,000 in fiscal 1987 and fiscal 1988, for which they were not budgeted, to join the Western Interstate Commission for Higher Education (WICHE). This expense has been removed from current level. The bureau did not request equipment.

Non-operating expenses are used to purchase services for state eligible clients from the five community mental health centers on a per service basis, and are maintained at the fiscal 1988 level.

Funding

Administrative functions of the bureau are funded with general fund, totaling \$233,611 in fiscal 1990 and \$234,335 in fiscal 1991. The remainder of the general fund is used to purchase services at the five community mental health centers. Federal funds consist of Alcohol, Drug Abuse, and Mental Health Services Block Grant (ADMS) funds, and are used to purchase services at the five community mental health centers. Federal funds decrease 0.9 percent from the fiscal 1989 to the fiscal 1991 biennium. In fiscal 1988, the bureau expended \$23,069 in federal funds on two budget amendments. Without these expenditures federal funds remain constant. The following table shows general fund and federal block grant funds in support of mental health centers for the 1989 and 1991 bienniums.

Table 9
Community Mental Health Centers - Funding
Fiscal 1988 Through Fiscal 1991

	Actual Fiscal 1988	Appropriated Fiscal 1989	Fiscal 1990	Fiscal 1991
General Fund	\$3,862,692	\$3,866,586	\$3,862,691	\$3,862,691
Block Grant	<u>1,249,805</u>	<u>1,249,806</u>	<u>1,249,805</u>	<u>1,249,805</u>
Total	<u>\$5,112,497</u>	<u>\$5,116,392</u>	<u>\$5,112,496</u>	<u>\$5,112,496</u>

CORRECTIONS DIVISION ADMINISTRATION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	77.00	75.50	75.50	75.50	(1.50)
Personal Services	\$1,891,011	\$1,859,669	\$1,860,746	\$1,865,351	(0.66)
Operating Expenses	1,700,675	1,780,399	1,710,929	1,716,429	(1.54)
Equipment	89,143	-0-	43,234	43,234	(3.00)
Total Operating Costs	\$3,680,829	\$3,640,068	\$3,614,909	\$3,625,014	(1.11)
Non-Operating Costs	2,574	1,541	896	524	(65.49)
Total Expenditures	<u>\$3,683,403</u>	<u>\$3,641,609</u>	<u>\$3,615,805</u>	<u>\$3,625,538</u>	<u>(1.14)</u>
<u>Fund Sources</u>					
General Fund	\$3,547,144	\$3,640,609	\$3,614,805	\$3,624,538	0.72
State Special	584	1,000	1,000	1,000	26.26
Federal Revenue	135,675	-0-	-0-	-0-	(100.00)
Total Funds	<u>\$3,683,403</u>	<u>\$3,641,609</u>	<u>\$3,615,805</u>	<u>\$3,625,538</u>	<u>(1.14)</u>

Program Description

The Corrections Division Administration provides coordination, supervision, and support to the correctional programs of the state. These programs include: Montana State Prison; Swan River Forest Camp; the Women's Correctional Facility; the four men's pre-release centers in Billings, Missoula, Great Falls, and Butte; and parole and probation.

Budget

FTE decrease by 1.5 and personal services decrease 0.7 percent from the 1989 to the 1991 biennium. Fiscal 1988 includes 1.5 FTE and personal services of \$37,804 added by budget amendment for the Governor's Criminal Justice and Corrections Advisory Council. If these factors were removed, personal services would increase 0.4 percent, due primarily to upgrades of all community corrections specialists. A vacancy savings rate of 4 percent is applied to all positions in the 1991 biennium. In the 1989 biennium, vacancy savings of 4 percent was taken on all positions. Actual vacancy savings was 4.15 percent in fiscal 1988.

Operating expenses decrease 1.5 percent. Funding is maintained at the four men's pre-release centers at the fiscal 1988 ADP level of 114 inmates. Fiscal 1989 included funding for an ADP of 120. Insurance adds \$10,750 in fiscal 1990 and \$11,569 in fiscal 1991, and rent adds \$14,708 each year.

Equipment is the average of fiscal 1986, 1987, and 1988 actual expenditures, which will enable the division to purchase 10 automobiles requested.

Non-operating expenses are for the lease/purchase of copy machines in the Kalispell probation and parole office, and the Missoula pre-release center.

Funding

The program receives almost all of its funding from the general fund. State special revenue consists of miscellaneous donations, which are expected to total \$1,000 each year.

Federal funds in fiscal 1988 were budget amendments for drug testing, the intensive supervision program, and the Governor's Corrections Advisory Council.

WOMEN'S CORRECTIONAL PROGRAM					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level Fiscal 1990	- - - Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	24.00	24.00	24.00	24.00	0.00
Personal Services	\$535,489	\$572,555	\$530,975	\$532,876	(3.99)
Operating Expenses	175,619	214,814	199,569	203,197	3.16
Equipment	25,657	1,460	1,323	1,323	(90.24)
Total Expenditures	<u>\$736,765</u>	<u>\$788,829</u>	<u>\$731,867</u>	<u>\$737,396</u>	<u>(3.69)</u>
Fund Sources					
General Fund	<u>\$736,765</u>	<u>\$788,829</u>	<u>\$731,867</u>	<u>\$737,396</u>	<u>(3.69)</u>

Program Description

The Women's Correctional Program consists of three components. The Women's Correctional Facility on the Warm Springs campus of the Montana State Hospital is a minimum to medium security facility for Montana's women offenders requiring incarceration. The Billings Life Skills Pre-release Center located in Billings is a state-operated pre-release center with a capacity for 12 women inmates. The third component of the women's program is the housing of women in out-of-state prisons because of their security classification or in in-state housing pending placement. The Women's Correction Facility was budgeted in fiscal 1988 for an average daily population (ADP) of 35 inmates, and the Billings Life Skills Pre-release Center was budgeted for an ADP of 10. The fiscal 1988 ADP was 35.25 on the Warm Springs campus, 9.6 at the pre-release center, with no out-of-state placements.

Budget

Personal services decrease 4.0 percent from the 1989 biennium to the 1991 biennium primarily because no vacancy savings was budgeted in fiscal 1989. Vacancy savings was 6.0 percent in fiscal 1988 and is included at 4.0 percent in the 1991 biennium.

Operating expenses increase 3.2 percent. Funding for the Women's Correctional Facility and the pre-release center are maintained at the fiscal 1988 ADP level of 35 and 10, respectively. The budget also includes a contingency of \$12,888 to transport and place inmates in local jails. Any authority not used for this purpose should be reverted. In fiscal 1988 the department was appropriated \$13,412 for this purpose and expended \$192. In addition, insurance adds \$2,085 in fiscal 1990 and \$2,269 in fiscal 1991, and inflation adds \$7,423 in fiscal 1990 and \$10,867 in fiscal 1991.

Equipment is included at the average of budgeted fiscal 1988 and actual fiscal 1986 and 1987 expenditures, which would allow the center to purchase their first, second, third, and sixth priority items. Fiscal 1988 equipment expenditures were \$22,440 above the anticipated level, as the department transferred funds from personal services to equipment to purchase vehicles and high band radios.

Funding

The Women's Correctional Program is entirely supported with general fund.

CORRECTIONS MEDICAL PROGRAM					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$765,057 =====	\$883,457 =====	\$765,106 =====	\$765,106 =====	(7.18) =====
Fund Sources					
General Fund	\$765,057 =====	\$883,457 =====	\$765,106 =====	\$765,106 =====	(7.18) =====

Program Description

The 1983 legislature authorized the consolidation of medical costs for the prison, Swan River Forest Camp, pre-release centers, the Women's Correctional Program, and parole violators being held for revocation hearings. The intent was to pool appropriations within the Corrections Division to provide flexibility among the programs and avoid unforeseen burdens on any one program budget due to medical costs.

Budget

Funding is maintained at the fiscal 1988 level.

Funding

The Corrections Medical Program is funded completely by general fund.

BOARD OF PARDONS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE <u>Fiscal 1991</u>	- - - - - Biennium - - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	4.00	\$324,139	\$324,139
LFA Current Level	<u>4.00</u>	<u>317,685</u>	<u>317,685</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ 6,454</u>	<u>\$ 6,454</u>

The difference between the LFA current level and the executive budget is due primarily to two factors: 1) computer equipment and supplies and 2) out-of-state travel.

ISSUE 1: COMPUTER AND COMPUTER SUPPLIES

The Governor's budget includes \$3,563 in fiscal 1990 and \$215 in fiscal 1991 for a computer and computer supplies which were not in current level.

ISSUE 2: OUT-OF-STATE PAROLE HEARINGS

The executive added general fund of \$800 each year for additional travel to out-of-state parole hearings which was not included in the LFA current level.

BOARD OF PARDONS

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - - Current Level - - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1989-91</u>
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
F.T.E.	4.00	4.00	4.00	4.00	0.00
Personal Services	\$126,466	\$127,654	\$126,506	\$126,506	(0.44)
Operating Expenses	<u>33,355</u>	<u>32,787</u>	<u>31,223</u>	<u>31,338</u>	<u>(5.41)</u>
Total Operating Costs	\$159,821	\$160,441	\$157,729	\$157,844	(1.46)
Non-Operating Costs	<u>441</u>	<u>-0-</u>	<u>1,056</u>	<u>1,056</u>	<u>378.91</u>
Total Expenditures	<u>\$160,262</u>	<u>\$160,441</u>	<u>\$158,785</u>	<u>\$158,900</u>	<u>(0.94)</u>
<u>Fund Sources</u>					
General Fund	<u>\$160,262</u>	<u>\$160,441</u>	<u>\$158,785</u>	<u>\$158,900</u>	<u>(0.94)</u>

Program Description

The Board of Pardons oversees Montana's inmate parole and furlough programs. The board also reviews requests for executive clemency and makes recommendations to the Governor concerning those requests. The board consists of three members and an auxiliary member who are appointed by the Governor. At least one member is required to have particular knowledge of Indian culture and problems. Members are compensated \$50 for each day that board duties are actually and necessarily performed. In addition, board members are compensated for actual travel expenses incurred while performing board duties. The board has four full-time employees, located in Deer Lodge, who perform support and administrative duties for the board.

Budget

The 1990 biennium budget represents the inflated fiscal 1988 expenditure level with the following exceptions: 1) Department of Administration phone charges of \$2,417 were eliminated at the board's request due to their lease/purchase of a phone system; 2) copier rent of \$1,140 in fiscal 1990 and \$1,300 in fiscal 1991 was added and maintenance contracts on the old contract of \$798 were removed; and 3) \$616 in non-operating expenses was added to fund a full year of the telephone equipment lease/purchase.

Funding

The Board of Pardons is completely funded with general fund.

MONTANA STATE PRISON
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	421.16	\$26,200,955	\$34,906,236
LFA Current Level	406.06	24,840,296	32,534,833
Executive Over (Under) LFA	<u>15.10</u>	<u>\$ 1,360,659</u>	<u>\$ 2,371,403</u>

The difference between the executive budget and LFA current level is due primarily to seven factors: 1) differences in the vacancy savings rates applied; 2) benefits on salaries; 3) increases in the executive budget for expected population increases; 4) modified budget additions by the executive; 5) increased operating expenses and equipment for the ranch and dairy by the executive; 6) a lower assumption of aluminum prices in the executive budget than LFA current level; and 7) a higher anticipated growth rate in canteen purchases in the executive budget than LFA current level.

ISSUE 1: VACANCY SAVINGS

The executive budget and LFA current level calculate vacancy savings differently in each program at Montana State Prison, as shown in Table A.

Table A
Vacancy Savings - Montana State Prison
1991 Biennium

<u>Program</u>	- Vacancy Savings <u>LFA</u>	Percent - <u>Governor</u>
Care and Custody	4	2
Ranch and Dairy	4	2
License Plate Factory	0	2
Prison Industries	0	2
Industries Training	0	2

The differences in the calculation of vacancy savings result in the executive having \$360,505 more in general fund and \$8,772 more in other funds than LFA current level for the biennium.

ISSUE 2: BENEFITS

The executive budget does not include benefits on holidays worked, longevity, differential, or overtime, understating personal services by approximately \$175,000 of general fund.

ISSUE 3: INCREASE IN POPULATION

The executive budget includes approximately \$322,000 of general fund for an anticipated increase in average daily population (ADP) at Montana State Prison of 83.09 in fiscal 1990 and 119.56 in fiscal 1991. This increase is not included in current level but is raised as an issue for legislative consideration.

ISSUE 4: FTE DIFFERENCES

The difference between LFA current level and the executive budget FTE levels is summarized in Table B.

Table B
FTE Differences - 1991 Biennium

	1991 FTE Executive Over(Under) Current Level
1. Pharmacist	(0.50)
2. Dentist	1.00
3. Modified Budget - Food Service Supervisor	1.00
4. Modified Budget - Sex Offender Program	4.00
5. Modified Budget - Staff for Additional Population	<u>9.60</u>
Total FTE Difference	<u><u>15.10</u></u>

Pharmacist - LFA current level includes a 0.50 FTE pharmacist position not included in the executive budget. The executive has eliminated this position and funded a contract for pharmacy services.

Dentist - The executive includes a 1.00 FTE dentist position costing \$88,974 of general fund. Current level does not include the position since it was not requested in the budget, but funds contracted dental services in the Corrections Medical Program budget in the Central Office.

Modified budgets are discussed in Issue 5.

ISSUE 5: MODIFIED BUDGETS

The executive includes three modified budgets not included in LFA current level which are described below and summarized in Table C.

Staffing for Additional Population - to staff either newly constructed housing or current facilities converted to living space necessitated by the anticipated population increase.

Food Service Supervisor - to provide additional supervision due to increases in population.

Sex Offender Program - to expand the sex offender treatment program as recommended by the Governor's Criminal Justice and Corrections Advisory Council.

Table C
Modified Budgets Not Included in LFA Current Level

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
1. Staffing for Addt'l Population	\$414,942	\$ -0-	\$414,942
2. Food Service Supervisor	45,284	-0-	45,284
3. Sex Offender Program	<u>215,712</u>	<u>-0-</u>	<u>215,712</u>
Total Modified Budgets	<u>\$675,938</u>	<u>\$-0-</u>	<u>\$675,938</u>

ISSUE 6: RANCH AND DAIRY OPERATING EXPENSES INCREASES

The executive budget increases operating expenses at the Ranch and Dairy by \$137,286 for various expenses, such as legal fees, custom cutting, and hay.

ISSUE 7: RANCH AND DAIRY EQUIPMENT

The executive budget funds the agency requested level for equipment at the Ranch and Dairy, which results in the executive budget having \$241,976 more equipment for the biennium than LFA current level, which includes equipment at the average of fiscal 1986, 1987, and 1988 actual expenditures.

ISSUE 8: ALUMINUM

The License Plate Factory uses aluminum to make license plates. The executive assumed a price of \$1.00 per pound, while LFA current level has included the agency requested level of \$1.79 per pound. As a result, LFA current level includes \$124,210 more state motor vehicle funds over the biennium.

ISSUE 9: CANTEEN SALES GROWTH AND ADP INCREASE

The executive budget assumed a growth rate in canteen purchases of 24.4 percent per year, and also has funded additional canteen purchases due to an expected increase in population. LFA current level includes an inflationary increase for the base canteen purchases. The executive budget is \$595,201 over current level in state special revenue canteen funds.

MONTANA STATE PRISON

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	408.48	406.06	406.06	406.06	(2.42)
Personal Services	\$10,165,687	\$10,659,739	\$ 9,976,207	\$10,012,223	(4.02)
Operating Expenses	5,365,377	5,586,327	5,957,363	6,239,022	11.37
Equipment	220,960	297,300	158,509	158,509	(38.83)
Total Operating Costs	\$15,752,024	\$16,543,366	\$16,092,079	\$16,409,754	0.64
Non-Operating Costs	66,200	-0-	16,500	16,500	(50.15)
Total Expenditures	<u>\$15,818,224</u>	<u>\$16,543,366</u>	<u>\$16,108,579</u>	<u>\$16,426,254</u>	<u>0.54</u>

Fund Sources

General Fund	\$12,458,670	\$12,965,505	\$12,371,534	\$12,468,762	(2.30)
State Special	1,121,688	1,247,541	1,242,455	1,319,951	8.15
Federal Revenue	224,998	129,102	137,215	138,917	(22.02)
Proprietary Revenue	2,012,868	2,201,218	2,357,375	2,498,624	15.23
Total Funds	<u>\$15,818,224</u>	<u>\$16,543,366</u>	<u>\$16,108,579</u>	<u>\$16,426,254</u>	<u>0.54</u>

ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Prison Population				
Option A:	\$448,987	\$ -0-	\$510,581	\$ -0-
Option B:	966,888	-0-	693,992	-0-
Option C:	345,542	-0-	448,086	-0-

Program Description

The Montana State Prison provides low, high, and maximum security for Montana's male inmate population. In addition, the prison provides work, education, and training for inmates through the ranch and dairy operation, the Industries Program, and the Industries Training Program. The prison has a design capacity of 744 inmates. Average daily population was 958 in fiscal 1988. The prison has six programs: 1) care and custody, 2) ranch and dairy, 3) license plate factory, 4) industries, 5) canteen, and 6) industries training.

Budget

FTE decrease by 2.42 due to the removal of 2.25 FTE added via budget amendment in fiscal 1988, and a 0.17 FTE dentist. Personal services decrease 4.0 percent primarily due to a reduction in benefits and an increased vacancy savings in the Care and Custody Program.

Operating expenses increase 11.4 percent for inflation, drugs, and increases in production in the industries and industries training programs and the ranch.

Funding

General fund decreases 2.3 percent due to an overall reduction in personal services costs in the Care and Custody Program. State special revenue funds include the License Plate Factory, dependency counselors in the Care and Custody Program, and the Canteen. These funds increase 8.2 percent primarily due to an increase in canteen sales.

Federal revenue is made up of federal boarder reimbursement and various education funds. Federal funds decrease due to the removal of budget amendments from the current level base.

Proprietary funds are income from the sale of products in the ranch, industries, and industries training programs, and rise due to anticipated sales increases.

ISSUE 1: PRISON POPULATION

The population at Montana State Prison has increased from an average daily population (ADP) of 907.18 in fiscal 1986 to 957.41 in fiscal 1988. The Department of Institutions estimates an ADP of 1,040.50 in fiscal 1990 and 1,077.00 in fiscal 1991, or 83.09 and 119.59, respectively, over the fiscal 1988 level. Peak population, which is the maximum number of inmates for which the prison must find room, is generally year-end population and is expected to total 1,059 in fiscal 1990 and 1,095 in fiscal 1991.

The following table shows the capacity of Montana State Prison, and the projected year-end population in fiscal 1990 and 1991.

Table 1
Capacity to Projected Year-End Population - Montana State Prison
1991 Biennium

<u>Fiscal Year</u>	<u>Current Capacity</u>	<u>Year-End Population</u>	<u>Over (Under) Capacity</u>
Actual Fiscal 1988	1,028	990*	(38)
Projected Fiscal 1990	1,028	1,059	31
Projected Fiscal 1991	1,028	1,095	67

* June ADP

The table shows that the population is expected to exceed capacity in fiscal 1990. Current population is running ahead of projections and, according to the department, was 1,031 on November 18, 1988.

Department of Institutions' Request

The Department of Institutions is requesting three additions in the 1991 biennium for expected population increases in the men's correctional system: 1) a current level increase of \$111,811 of general fund each year to increase the population at the Billings pre-release center by 5 residents; 2) a current level increase at Montana State Prison of \$130,839 in fiscal 1990 and \$191,996 in fiscal 1991 for an increase in population of 78.09 and 114.5 inmates, respectively; and 3) a modified of \$206,337 in fiscal 1990 and \$206,774 in fiscal 1991 to add 9.6 FTE. As shown in Table 1, current housing is not sufficient to house the projected population. Space currently being used for other purposes would have to be converted, or additional space constructed, with either option requiring increased staff. The Department of Institutions has a request to the Long-Range Building Program for \$998,386 in fiscal 1990 to construct an additional 96 bed low security housing unit. Table 2 shows the department's requested increases and their impact on prison population to capacity. The table assumes maintenance of fiscal 1991 costs into the 1993 biennium.

Table 2
Budget Request - Department of Institutions
Fiscal Years 1990 through 1993

	Fiscal 1990	Fiscal 1991	Fiscal 1992	Fiscal 1993
Projected Population	1,059	1,095	1,118	1,139
Population Reductions				
Additional Pre-Release	5	5	5	5
Total Needed Space	1,054	1,090	1,113	1,134
Current Capacity	1,028	1,028	1,028	1,028
Additional Unit	-0-	96	96	96
Total Capacity	1,028	1,124	1,124	1,124
Over (Under) Capacity	26 =====	(34) =====	(11) =====	10 =====

Expenditures	Fiscal 1990	Fiscal 1991	1991 Biennium	Fiscal 1992	Fiscal 1993	1993 Biennium	Total Costs FY90-93
Construction Costs	\$ 998,386	\$ -0-	\$ 998,386	\$ -0-	\$ -0-	\$ -0-	\$ 998,386
Fixed Costs*	206,337	206,774	413,111	206,774	206,774	413,548	826,659
Variable Costs	130,839	191,996	322,835	241,401	278,259	519,660	342,495
Pre-Release	111,811	111,811	223,622	111,811	111,811	223,622	447,244
Total Costs	\$1,447,373 =====	\$510,581 =====	\$1,957,954 =====	\$559,986 =====	\$596,844 =====	\$1,156,830 =====	\$3,114,784 =====

*9.6 FTE to staff additional housing

As shown in Table 2, in the absence of additional population reduction measures, population would again exceed capacity in fiscal 1993, even with the construction of an additional 96 beds. Requested expenditures over the two bienniums total \$3.1 million.

Governor's Criminal Justice and Corrections Advisory Council

In fiscal 1988 a special council was formed to examine the state's correctional system. Among other duties, the council was to make recommendations for stabilizing or reducing the prison population, and to present these recommendations to the governor for presentation to the 1989 legislature. The council's recommendations for which an impact on population could be estimated, potential prison population reductions, and costs, as estimated by council staff, are summarized in Table 3. The table assumes maintenance of fiscal 1991 costs into the 1993 biennium.

Table 3
Recommendations of Advisory Council
Fiscal 1990 through 1993

	<u>Fiscal</u> <u>1990</u>	<u>Fiscal</u> <u>1991</u>	<u>Fiscal</u> <u>1992</u>	<u>Fiscal</u> <u>1993</u>			
Projected Year-End Pop.	1,059	1,095	1,118	1,139			
Reduction Measures							
Sex Offender Prog. Expan.	5	6	6	6			
Intensive Supervision Prog.	54	54	54	54			
Diversion to Pre-Release	8	8	8	8			
Discretionary Discharges	53	54	54	54			
Add'l Prob/Parole Officers	18	25	25	25			
Pre-Parole Programming	<u>9</u>	<u>18</u>	<u>18</u>	<u>18</u>			
Total Needed Space	912	930	953	974			
Capacity	<u>1,028</u>	<u>1,028</u>	<u>1,028</u>	<u>1,028</u>			
Over (Under) Capacity	<u>(116)</u> =====	<u>(98)</u> =====	<u>(75)</u> =====	<u>(54)</u> =====			
	<u>Fiscal</u> <u>1990</u>	<u>Fiscal</u> <u>1991</u>	<u>1991</u> <u>Biennium</u>	<u>Fiscal</u> <u>1992</u>	<u>Fiscal</u> <u>1993</u>	<u>1993</u> <u>Biennium</u>	<u>Total Costs</u> <u>FY90-93</u>
Sex Offenders	\$111,583	\$100,930	\$ 212,513	\$100,930	\$100,930	\$ 201,860	\$ 414,373
Intensive Supv. Prog.	257,524	173,438	430,962	173,438	173,438	346,876	777,838
Diversion to Pre-Rel.	116,800	116,800	233,600	116,800	116,800	233,600	467,200
Discretionary Dischs.	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Prob./Parole Officers	428,058	326,967	755,025	326,967	326,967	653,934	1,408,959
Pre-Parole Program	36,856	36,856	73,712	36,856	36,856	73,712	147,424
Variable Prison Costs	<u>16,067</u>	<u>(60,999)</u>	<u>(44,932)</u>	<u>(26,655)</u>	<u>10,203</u>	<u>(16,452)</u>	<u>(61,384)</u>
Total	<u>\$966,888</u> =====	<u>\$693,992</u> =====	<u>\$1,660,880</u> =====	<u>\$728,336</u> =====	<u>\$765,194</u> =====	<u>\$1,493,530</u> =====	<u>\$3,154,410</u> =====

It should be noted that the potential population reductions are estimates. Under this scenario, population at the prison would remain under capacity through the 1993 biennium at a total expanded cost of \$3.2 million.

Other Housing

Table 4 shows potential costs and population to capacity in the absence of any population reduction measures and if housing options other than construction are adopted. The table assumes that Rothe Hall, which can house up to 40 inmates, would be employed in fiscal 1990, that modular units (trailers) to house 100 inmates would be purchased in fiscal 1991, and that both housing options would be employed in fiscal 1993.

Table 4
Other Housing
Fiscal 1990 through 1993

	Fiscal 1990	Fiscal 1991	Fiscal 1992	Fiscal 1993
Projected Year-End Population	1,059	1,095	1,118	1,139
Current Capacity	1,028	1,028	1,028	1,028
Rothe Hall	40	-0-	-0-	40
Modular Units	-0-	100	100	100
Total Capacity	1,068	1,128	1,128	1,168
Over (Under) Capacity	(9) =====	(33) =====	(10) =====	(29) =====

Expenditures	Fiscal 1990	Fiscal 1991	1991 Biennium	Fiscal 1992	Fiscal 1993	1993 Biennium	Total Costs FY90-93
Modular Unit Costs	\$ -0-	\$300,000**	\$ 300,000	\$ -0-	\$ -0-	\$ -0-	\$ 300,000
Fixed Costs*	206,337	247,731	454,068	247,731	454,068	701,799	1,155,867
Variable Costs	139,205	200,355	339,560	249,778	286,636	536,414	875,974
Total Costs	\$345,542 =====	\$748,086 =====	\$1,093,628 =====	\$497,509 =====	\$740,704 =====	\$1,238,213 =====	\$2,331,841 =====

* Rothe Hall staff of 9.6 officers-fiscal 1990, as requested by department. Modular staff of 11.2 FTE only-fiscal 1991; modular staff of 11.2 FTE only-fiscal 1992; modular plus Rothe staff-fiscal 1993.

** Initial estimates. Actual cost unknown.

Table 4 shows that if modular units were purchased and Rothe Hall utilized, capacity would be sufficient for the estimated population through the 1993 biennium at a cost of \$2.3 million.

Summary

Several options are available to the legislature for addressing the estimated increase at Montana State Prison, including construction, purchase, or conversion of additional housing, population reduction measures, or a combination of both. Table 5 summarizes the various options available.

Table 5
Summary of Options
1991 Biennium

	<u>Department Request</u>	<u>Council Recommendations</u>	<u>Rothe Hall - Modular Units</u>
Pop. Over (Under) Capacity*	(34)	(98)	(33)
Total Cost	\$1,957,954	\$1,660,880	\$1,093,628

*At the end of fiscal 1991.

Two factors should be noted: 1) housing inmates in Rothe Hall would be a temporary measure due to questions of safety to staff and inmates, and modular units are long-term but not permanent, with a life span of 10 years; and 2) the actual impact on prison populations of reduction measures can only be estimated, and actual reductions to the prison population cannot be assumed.

Option A: Approve the department's request, which would appropriate general fund of \$448,987 in fiscal 1990 and \$510,581 in fiscal 1991. Additional housing would have to be constructed, costing an additional \$998,386 of long-range building funds.

Option B: Fund some combination of population reduction measures. This option would add general fund of up to \$966,888 in fiscal 1990, and \$693,992 in fiscal 1991.

Option C: Fund for additional staff and variable costs to house the entire expected population increase on site in alternate housing, which would add general fund of \$345,542 in fiscal 1990 and \$448,086 in fiscal 1991. Additional housing would have to be purchased and converted. Direct the Department of Institutions to provide an estimate of the cost of modular units to house 100 inmates.

CARE AND CUSTODY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	384.73	382.31	382.31	382.31	(2.42)
Personal Services	\$ 9,394,815	\$ 9,764,850	\$ 9,135,011	\$ 9,158,053	(4.52)
Operating Expenses	3,061,447	3,157,970	3,205,758	3,280,854	4.30
Equipment	80,734	25,000	44,437	44,437	(15.95)
Total Expenditures	<u>\$12,536,996</u>	<u>\$12,947,820</u>	<u>\$12,385,206</u>	<u>\$12,483,344</u>	<u>(2.42)</u>
Fund Sources					
General Fund	\$12,318,856	\$12,801,624	\$12,232,476	\$12,328,926	(2.23)
State Special	46,310	51,424	52,008	51,994	6.41
Federal Revenue	<u>171,830</u>	<u>94,772</u>	<u>100,722</u>	<u>102,424</u>	<u>(23.80)</u>
Total Funds	<u>\$12,536,996</u>	<u>\$12,947,820</u>	<u>\$12,385,206</u>	<u>\$12,483,344</u>	<u>(2.42)</u>

Program Description

The Care and Custody Program includes the housing, security, general operations, and administration of the prison.

Budget

FTE is reduced 2.42 for the deletion of 2.25 FTE added by budget amendment and the elimination of the 0.17 FTE dentist position. The dentist was added in fiscal 1988 using funds transferred from the Corrections Medical Program. The department has indicated it will seek 1.0 FTE for the dentist position in this program.

Personal services decrease 4.5 percent due primarily to a reduction in benefits from 28.9 percent of salaries in fiscal 1988 and 34.7 percent in fiscal 1989, to 26.8 percent of salaries in fiscal 1990 and 26.2 percent in fiscal 1991. This reduction reflects a reduction in the workers' compensation experience modification factor. A vacancy savings rate of 4 percent is taken each year of the 1991 biennium, which compares to an actual rate of 4.15 percent in fiscal 1988, and a budgeted rate of 1.68 percent on prison guards and 4 percent on non-security staff in fiscal 1989.

Operating expenses increase 4.3 percent because: 1) drugs increase \$36,841 each year, as fiscal 1988 does not represent total expenditures due to a credit received when the drug inventory was purchased by the pharmacy contractor; 2) inflation adds \$162,589 in fiscal 1990 and \$237,081 in fiscal 1991; 3) insurance costs decrease by \$48,081 in fiscal 1990 and \$46,794 in fiscal 1991 from the fiscal 1988 level of \$110,140. The higher cost in fiscal 1988 was attributed to a disturbance at the prison in 1982 that had increased the rates but is no longer a factor in calculating the cost of insurance; and 4) contracts funded by the National Institute of Corrections totaling \$12,162 were removed.

Montana State Prison used excess utilities funds to purchase equipment in fiscal 1988. Therefore, equipment is included at the average of actual fiscal 1986 and 1987 expenditures and 1988 appropriated expenditures, which will allow the purchase of items one through five and item seven on the equipment list.

Funding

General fund provides over 98 percent of this program's funding.

State special revenue alcohol funds support 2.0 FTE alcohol counselors and are included at \$52,008 in fiscal 1990 and \$51,994 in fiscal 1991.

Federal revenue consists of four funding sources: 1) adult basic education funds from the Office of Public Instruction at \$16,473 in fiscal 1990 and \$18,120 in fiscal 1991; 2) Chapter I funds from the Office of Public Instruction of \$3,204 each year of the biennium; 3) Chapter II funds from the Office of Public Instruction at \$554 in fiscal 1990 and \$609 in fiscal 1991; and 4) federal boarder revenue at \$80,491 each year of the 1991 biennium. Federal funds in fiscal 1988 contained four funds not requested in the 1991 biennium: 1) one-time National Institute of Corrections funds of \$20,656 for staff training; 2) Bureau of Justice funds of \$48,619 received via budget amendment for increased chemical dependency activities; 3) Chapter I funds of \$2,513 received via budget amendment; and 4) one-time federal improvement carry-over funds of \$869. All of these funds have been removed, resulting in a decrease in federal funds of 23.8 percent.

PRISON RANCH AND DAIRY					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	12.75	12.75	12.75	12.75	0.00
Personal Services	\$ 393,486	\$ 444,742	\$ 403,488	\$ 403,852	(3.68)
Operating Expenses	579,940	606,094	689,289	693,659	16.60
Equipment	119,231	226,900	97,212	97,212	(43.83)
Total Operating Costs	\$1,092,657	\$1,277,736	\$1,189,989	\$1,194,723	0.60
Non-Operating Costs	57,965	-0-	16,500	16,500	(43.07)
Total Expenditures	\$1,150,622 =====	\$1,277,736 =====	\$1,206,489 =====	\$1,211,223 =====	(0.44) =====
<u>Fund Sources</u>					
Proprietary Funds	\$1,150,622 =====	\$1,277,736 =====	\$1,206,489 =====	\$1,211,223 =====	(0.44) =====

Program Description

The Prison Ranch and Dairy provides work and training for inmates. The ranch provides milk, cottage cheese, ice cream, and yogurt to the other institutions. The objective of the program is to provide a minimum of 50 inmates

per month with training and experience in a wide range of ranch and dairy skills. The average monthly number of inmates who worked 15 or more days per month in fiscal 1988 was 46.

Budget

Personal services decrease 3.7 percent due primarily to two factors: 1) a drop in the benefit rate from 24.4 percent in fiscal 1988 and 27.7 percent of salaries in fiscal 1989, to 20.8 percent of salaries each year of the 1991 biennium. The drop reflects a reduction in the workers' compensation experience modification factor; and 2) vacancy savings of 4.0 percent applied in the 1991 biennium, while no vacancy savings was budgeted in the 1989 biennium, and the actual rate in fiscal 1988 was 12.0 percent.

Operating expenses increase 16.6 percent which reflects increases in corn and solid feed costs, increases in utilities costs of the new administration building addition, and an increase in inventory.

Equipment is included at the average of actual fiscal 1986, 1987, and 1988 expenditures.

Non-operating expenses are building materials to construct one replacement storage building per year.

Funding

The ranch is a self-supporting program funded entirely from revenue earned on the sale of its products.

PRISON LICENSE PLATE FACTORY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Services	\$ 59,679	\$ 73,439	\$ 61,578	\$ 61,563	(7.49)
Operating Expenses	<u>389,119</u>	<u>422,678</u>	<u>397,369</u>	<u>441,976</u>	<u>3.39</u>
Total Expenditures	<u>\$448,798</u>	<u>\$496,117</u>	<u>\$458,947</u>	<u>\$503,539</u>	<u>1.86</u>
Fund Sources					
State Special	<u>\$448,798</u>	<u>\$496,117</u>	<u>\$458,947</u>	<u>\$503,539</u>	<u>1.86</u>

Program Description

The License Plate Factory at Montana State Prison manufactures licenses for the state of Montana. This program is not one of the prison industries enterprises; however, it does provide work for approximately 17 inmates each month.

The funding for this program comes from motor vehicle fees from the Department of Justice.

Budget

Personal services decline by 7.5 percent due to two factors; 1) a reduction in benefits from 23.1 percent in fiscal 1988 and 27.6 percent of salaries in fiscal 1989, to 19.4 percent of salaries in fiscal 1990 and 1991, which reflects a reduction in the workers' compensation experience modification factor; and 2) maintenance of inmate pay at the fiscal 1988 level of \$11,417. Inmate pay was budgeted at \$15,430 in fiscal 1989. No vacancy savings is taken in the 1991 biennium because of the low number of FTE and because funding is unique to this program. Vacancy savings totaled 15.7 percent in fiscal 1988 and was budgeted at 0.0 percent in fiscal 1989.

Operating expenses increase 3.4 percent because of three factors: 1) an increase in shipping boxes of \$2,480 in fiscal 1990 and \$4,030 in fiscal 1991, 2) an increase for fire suppression services of \$1,152 in fiscal 1990 and \$552 in fiscal 1991; and 3) an increase in aluminum, scotchlite, and other materials to make license plates of \$2,725 in fiscal 1990 and \$45,818 in fiscal 1991. The rise in expenditures in fiscal 1991 is due to the utilization of inventory stockpiles in fiscal 1990.

Funding

Funding is provided by the motor vehicle state special revenue account through the Department of Justice. Excess funds in the motor vehicle account are used to replace general fund in the Department of Justice programs; therefore, the more funds spent in the license plate factory, the less funds available to allocate to general fund operations in the Department of Justice.

PRISON INDUSTRIES					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	5.25	5.25	5.25	5.25	0.00
Personal Services	\$182,217	\$210,260	\$219,874	\$ 232,529	15.27
Operating Expenses	485,103	446,243	667,466	791,326	56.63
Equipment	6,567	45,400	10,578	10,578	(59.29)
Total Expenditures	\$673,887 =====	\$701,903 =====	\$897,918 =====	\$1,034,433 =====	40.45 =====
<u>Fund Sources</u>					
Other	\$673,887 =====	\$701,903 =====	\$897,918 =====	\$1,034,433 =====	40.45 =====

Program Description

The Prison Industries Program provides work opportunities for the inmates to prevent idleness, to train inmates in job skills and work habits, and to provide products and services to public agencies and the private sector. The program includes furniture manufacturing, furniture refinishing and restoration, upholstery, sign manufacturing, printing, logging, post and pole operations, and jack-leg fence construction. In compliance with House Bill 462 (L.1985), new furniture sales to other state agencies are sold through licensed wholesale or retail furniture outlets.

Budget

Personal services are as requested by the department. The increase of 15.3 percent is due to two factors: 1) vacancy savings totaled 12.7 percent in fiscal 1988, while vacancy savings in fiscal 1989, 1990, and 1991 is 0.0 percent because of the low number of FTE and because funding is unique to this program; and 2) inmate pay increases from \$49,926 in fiscal 1988 to \$63,918 in fiscal 1990 and \$76,500 in fiscal 1991 due to a projected increase in sales. Total inmate pay is based on a percentage of total sales.

Operating expenses increase 56.6 percent and are as requested by the agency with the following exceptions: 1) audit fees of \$3,183 were removed, as all audit costs are consolidated in the Central Office; 2) gas and diesel costs were increased by the increased sales level, rather than as a percent of sales; 3) out-of-state travel was maintained at the fiscal 1988 level; and 4) utilities costs, which were reduced in fiscal 1988 due to the fire at the complex, were amortized for a full year of operation and inflated.

The anticipated rise in operating expenses requested by the department is primarily due to an anticipated increase in total sales. A total of \$158,692 in fiscal 1990 and \$280,287 in fiscal 1991 was added to various operating expenses, including \$110,524 in fiscal 1990 and \$194,406 in fiscal 1991 for raw materials.

Equipment is included at the average of actual fiscal 1986, 1987, and 1988 expenditures, which would allow the purchase of the first five priority items on the equipment list.

Funding

This program is self-supporting, and funded entirely with revenue generated through sales of its products.

PRISON CANTEEN					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$624,036	\$700,000	\$731,500	\$764,418	12.98
Equipment	2,544	-0-	-0-	-0-	(100.00)
Total Expenditures	\$626,580 =====	\$700,000 =====	\$731,500 =====	\$764,418 =====	12.77 =====
<u>Fund Sources</u>					
State Special	\$626,580 =====	\$700,000 =====	\$731,500 =====	\$764,418 =====	12.77 =====

Program Description

The Prison Canteen provides an institution store for the inmates to purchase personal and incidental items. The canteen is supported through funds generated from its operation with the exception of 2.0 FTE store managers, who are supported by general fund. Current sales are not sufficient to support the store manager positions. Any profits from the operation are deposited to the inmate welfare fund.

Budget

The canteen budget increases 13.0 percent from the 1989 to the 1991 biennium to allow for inflation. The appropriated fiscal 1989 expenditures were inflated 4.5 percent each year.

Funding

The canteen is supported with state special revenue funds from the sale of canteen items.

PRISON INDUSTRIES TRAINING

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	3.75	3.75	3.75	3.75	0.00
Personal Services	\$135,490	\$166,448	\$156,256	\$156,226	3.49
Operating Expenses	225,732	253,342	265,981	266,789	11.21
Equipment	11,884	-0-	6,282	6,282	5.72
Total Operating Costs	\$373,106	\$419,790	\$428,519	\$429,297	8.19
Non-Operating Costs	8,235	-0-	-0-	-0-	(100.00)
Total Expenditures	<u>\$381,341</u>	<u>\$419,790</u>	<u>\$428,519</u>	<u>\$429,297</u>	<u>7.08</u>
Fund Sources					
General Fund	\$139,814	\$163,881	\$139,058	\$139,836	(8.17)
Federal Revenue	53,168	34,330	36,493	36,493	(16.59)
Other	188,359	221,579	252,968	252,968	23.42
Total Funds	<u>\$381,341</u>	<u>\$419,790</u>	<u>\$428,519</u>	<u>\$429,297</u>	<u>7.08</u>

Program Description

The Industries Training Program was approved by the 1983 legislature as a result of Senate Bill 1 of Special Session II in fiscal 1982. The program includes auto and heavy equipment repair and maintenance, industrial arts, meat cutting, horticulture, business skills, career counseling, and telemarketing.

Budget

Personal services rise 3.5 percent for two reasons: 1) a zero vacancy savings rate was applied in fiscal 1989, 1990, and 1991 because of the low number of FTE, while the actual vacancy savings rate in fiscal 1988 was 13.5 percent and 2) this program received funding for a horticulturist in the 1989 biennium; however, that position was never filled, and the work was instead contracted out. The position has been reclassified in fiscal 1989 as a teacher and is included in the 1991 biennium personal services budget.

Operating expenses increase by 11.2 percent, primarily due to an increase in anticipated purchases of parts in the motor vehicle maintenance program. Industries training is reimbursed for the cost of the parts by the party receiving the work. Contracted services for the horticulturist totaling \$16,742 were removed.

Equipment is included at the average of actual fiscal 1986, 1987, and 1988 expenditures and would allow the purchase of the first four items on the equipment list.

Funding

The Industries Training Program is funded from three sources: 1) general fund, 2) federal Carl Perkins funds from the Department of Education, and 3) income from sales and surcharges.

General fund supports general operations of the program and totals \$139,058 in fiscal 1990 and \$139,836 in fiscal 1991, compared with a fiscal 1988 total of \$139,814.

Carl Perkins funds are used for 1.0 FTE career counselor and some supplies and are maintained at the fiscal 1988 level of \$36,493 each year of the biennium.

Income is derived from three sources:

- 1) Garden sales total the fiscal 1988 level of \$12,469 each year.
- 2) Industries training performs services and other work for all vehicles within the Montana State Prison complex. The ranch, care and custody, and the industries complex are all assessed a surcharge based upon work performed to offset a portion of inmate pay and other supplies. The surcharges total \$42,315 each year of the biennium compared to \$35,256 in fiscal 1989. The program receives, through the Prison Industries Complex surcharge, a fee for the telemarketing program with the Department of Commerce totaling \$2,000 each year.
- 3) Industries training charges the cost of all parts to the parties receiving the work. These charges are expected to total \$198,184 each year of the biennium, compared to a fiscal 1988 total of \$139,942.

SWAN RIVER FOREST CAMP
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	25.83	\$1,704,907	\$1,936,121
LFA Current Level	<u>25.83</u>	<u>1,702,783</u>	<u>1,936,489</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ 2,124</u>	<u>\$ (368)</u>

The difference between the executive and the LFA current level is due primarily to two offsetting factors: 1) calculation of vacancy savings, and 2) equipment. The remainder of the difference results from minor changes throughout the budget. The executive budget has more general fund due to estimating federal boarder revenue at \$2,600 less.

ISSUE 1: VACANCY SAVINGS

The executive applied vacancy savings of 2 percent to all positions, while the LFA current level used a 4 percent rate to nondirect care positions and a 0.86 percent rate to direct care positions. As a result, the executive contains \$7,747 more for personal services during the biennium than LFA current level.

ISSUE 2: EQUIPMENT

LFA current level funds equipment at the average of fiscal 1986, 1987, and 1988 actual expenditures, while the executive includes only the vocational education and office equipment. Consequently, the executive is \$3,826 lower for the biennium than the LFA current level.

ISSUE 3: FEDERAL BOARDER REVENUE

LFA current level federal boarder revenue is at the fiscal 1989 appropriated level, while the executive uses the agency requested level, or \$2,600 less over the biennium.

SWAN RIVER FOREST CAMP

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	25.83	25.83	25.83	25.83	0.00
Personal Services	\$640,426	\$666,131	\$642,467	\$644,143	(1.53)
Operating Expenses	277,435	297,015	312,605	319,974	10.12
Equipment	6,076	8,000	8,650	8,650	22.90
 Total Expenditures	 \$923,937 =====	 \$971,146 =====	 \$963,722 =====	 \$972,767 =====	 2.19 =====
 <u>Fund Sources</u>					
General Fund	\$803,949	\$856,631	\$847,876	\$854,907	2.54
State Special	78,266	86,617	84,948	86,962	4.26
Federal Revenue	41,722	27,898	30,898	30,898	(11.24)
 Total Funds	 \$923,937 =====	 \$971,146 =====	 \$963,722 =====	 \$972,767 =====	 2.19 =====

Program Description

The Swan River Forest Camp is a minimum security work camp for inmates transferred from the state prison who are between the ages of 18 and 26. The inmates work with the Forestry Division of the Department of State Lands and are involved in several forestry programs such as thinning, seeding, and planting trees, as well as campground and recreation area maintenance. The facility has an overall capacity of 54 inmates. The fiscal 1988 average daily population was 49 inmates.

Budget

Personal services decrease 1.5 percent for two reasons: 1) the net effect of step decreases due to staff turnover and the upgrade of one position; and 2) a decrease in benefits. The budgeted benefit rate in fiscal 1989 was 27.1 percent of salaries. The actual percentage in fiscal 1988, and the requested rate in the 1991 biennium, is 25.2 percent, or a difference of 1.9. This change reflects the decrease in the workers' compensation experience modification factor. Vacancy savings is as requested by the department at 0.86 percent on direct care and 4.0 percent on non-direct care positions. Actual aggregate vacancy savings was 6.7 percent in fiscal 1988.

Operating expenses increase 10.1 percent because of: 1) an increase in Department of Administration insurance costs of \$23,721 in fiscal 1990 and \$24,847 in fiscal 1991 resulting from the state's loss of a lawsuit involving an escapee from the camp; and 2) an increase in expected canteen sales of \$6,228 in fiscal 1990 and \$8,228 in fiscal 1991. In addition, one-time expenditures of \$5,528 were eliminated because they represent a loss of federal improvement funds.

Equipment is the average of fiscal 1986, 1987, and 1988 actual expenditures and would allow the purchase of the camp's first and third priority items, which are two automobiles.

Funding

The general fund provides approximately 88 percent of the institution's funding. State special revenue is from two sources: 1) alcohol funds, which fund one drug and alcohol counselor, are included at \$26,948 in fiscal 1990 and \$26,962 in fiscal 1991; and 2) canteen funds, which are revenues from the sale of clothing and personal items purchased by inmates with their own funds, are included at \$58,000 in fiscal 1990 and \$60,000 in fiscal 1991.

Federal revenue is from three sources: 1) Department of Education Chapter I funds at \$9,598 each year of the 1991 biennium; 2) Department of Education School Foods at \$5,000 each year of the 1991 biennium; and 3) federal boarder reimbursement, which was \$22,814 in fiscal 1988, and is included at the fiscal 1989 appropriated level of \$16,300 each year of the 1991 biennium. The 1989 biennium funding level was used because the number of federal boarder days is expected to decrease.

In fiscal 1988, the camp expended \$7,032 in one-time carryover federal improvement funds, which are not included in the fiscal 1991 biennium.

MONTANA DEVELOPMENTAL CENTER
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	447.15	\$24,469,219	\$24,612,940
LFA Current Level	430.65	23,564,686	23,638,407
Executive Over (Under) LFA	<u>16.50</u>	<u>\$ 904,533</u>	<u>\$ 974,533</u>

The difference between the executive budget and LFA current level is due to four factors: 1) a difference in the calculation of vacancy savings; 2) calculation of benefits by the executive; 3) a change in the pharmacy function; and 4) modified budgets of \$763,940 added by the executive to meet federal reimbursement standards.

ISSUE 1: VACANCY SAVINGS

The executive budget includes vacancy savings of 2 percent on all positions, while LFA current level calculates vacancy savings of 4 percent on nondirect care and 1.9 percent on direct care positions. As a result, the executive budget contains \$234,016 more general fund for the biennium than current level.

ISSUE 2: BENEFITS

The executive does not include benefits for holidays worked, differential, longevity, or overtime, understating personal services by approximately \$84,000 general fund.

ISSUE 3: PHARMACY FUNCTION DIFFERENCE AND MODIFIED BUDGETS

Table A summarizes FTE differences between the executive and LFA current level for the change in the pharmacy function and the modified requests.

Table A
Executive Over (Under) Current Level
1991 Biennium

	1991 FTE	General Fund	Other Funds	Total Funds
1. Pharmacist	(2.00)	\$ 39,645	\$ -0-	\$ 39,645
2. Modified Budget - HCFA	17.50	676,021	-0-	676,021
3. Modified Budget - Resident Work	1.00	87,919	-0-	87,919
Total	<u>16.50</u>	<u>\$803,585</u>	<u>\$ -0-</u>	<u>\$803,585</u>

Pharmacy - LFA current level includes 2.00 FTE pharmacist positions and \$93,554 of personal services for the biennium while the executive budget deletes the positions and funds pharmacy contracted services totaling \$133,199. For a department-wide discussion of the pharmacy contract, see Issue 2 on page D-8.

HCFA - This modified is to address deficiencies found by the Health Care Financing Administration in their review to determine if the facility was meeting medicaid requirements. The addition includes 15.00 FTE direct care staff and 2.50 FTE aggregate training staff.

Resident Work Program - This modified would allow residents to be compensated for work performed. The addition is made to address deficiencies found by HCFA in their review.

MONTANA DEVELOPMENTAL CENTER

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	438.15	430.65	430.65	430.65	(7.5)
Personal Services	\$10,118,104	\$10,178,489	\$10,083,339	\$10,100,160	(0.56)
Operating Expenses	1,652,431	1,731,651	1,677,129	1,720,459	0.40
Equipment	72,288	-0-	28,660	28,660	(20.71)
Total Expenditures	<u>\$11,842,823</u>	<u>\$11,910,140</u>	<u>\$11,789,128</u>	<u>\$11,849,279</u>	<u>(0.48)</u>
Fund Sources					
General Fund	\$11,804,936	\$11,852,130	\$11,751,792	\$11,812,894	(0.39)
State Special	13,376	13,626	14,000	14,000	3.70
Federal Revenue	24,511	44,384	23,336	22,385	(33.64)
Total Funds	<u>\$11,842,823</u>	<u>\$11,910,140</u>	<u>\$11,789,128</u>	<u>\$11,849,279</u>	<u>(0.48)</u>
ISSUES					
	- - - Fiscal 1990 - - -		- - - Fiscal 1991 - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. Medicaid Certification	\$344,637	\$ -0-	\$345,196	\$ -0-	

Program Description

The Montana Developmental Center, former Boulder River School and Hospital, provides services to developmentally disabled children and adults. Average daily population was 195 in fiscal 1988.

Budget

Personal services decrease 0.6 percent, and FTE decline by 7.50. In January of fiscal 1988, the center added 15 direct care positions (annualized at 7.50 FTE) due to medicaid certification exceptions. These positions are requested in a modified budget in the 1991 biennium; therefore, 7.50 FTE and \$130,109 in expenditures were removed from the current level budget. If these costs were eliminated from fiscal 1988, personal services would remain at the same level into the 1991 biennium. Vacancy savings is included at the fiscal 1989 appropriated level of 4.0 percent on nondirect care, and 1.9 percent on direct care positions. Actual vacancy savings was 3.8 percent in fiscal 1988.

Operating expenses increase 0.4 percent as a net result of three factors: 1) the center contracted for physical therapy services in fiscal 1988 due to their inability to hire a physical therapist; all contract costs totaling \$41,300 were deleted as the position is included in personal services; 2) drug costs increase \$23,926 because fiscal 1988 expenditures were reduced due to a credit received for purchase of the drug inventory by the pharmacy contractor; and 3) inflation

adds \$74,070 in fiscal 1990 and \$117,134 in fiscal 1991. Since the HPI drug contract is an issue, all administrative costs, totaling \$22,972, have been removed from current level. The telephone equipment charges were also reduced in the base because the equipment is fully paid for in fiscal 1989.

Equipment is included at the three-year average of appropriated fiscal 1988 and actual fiscal years 1986 and 1987 expenditure levels. The center transferred spending authority from the supplies and materials budget to the equipment budget and overexpended equipment in fiscal 1988.

Funding

General fund provides over 99 percent of the center's funding.

State special revenue consists of donations and totals \$14,000 each year of the biennium.

Federal revenue consists of two funds: 1) Chapter I and Chapter II funds from the Department of Education which are \$19,937 in fiscal 1990 and \$19,909 in fiscal 1991; and 2) school foods, at \$3,399 in fiscal 1990 and \$2,476 in fiscal 1991, compared with a fiscal 1988 level of \$9,022. The reduction in school foods is due to a decrease in the number of children under the age of 21 at the facility, for whom the funds are provided.

ISSUE 1: MEDICAID CERTIFICATION - MODIFIED REQUEST

Since fiscal 1986, the Montana Developmental Center has been cited with major deficiencies in the annual review to determine whether it is meeting federal requirements to qualify for medicaid reimbursements. The following table shows total costs and medicaid reimbursements to the center since fiscal 1986. Medicaid reimbursements are federal medicaid funds, matched with state general fund by the state Department of Social and Rehabilitation Services.

Table 1
Montana Developmental Center - Total Costs and Medicaid Reimbursements
Fiscal 1986 through Fiscal 1988

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>
Total Costs	\$10,691,447	\$11,233,840	\$11,842,821
Medicaid Reimbursements	8,654,188	8,818,357	9,020,188
Percent of Total Costs	80.9%	78.5%	76.2%
<u>Medicaid Reimbursements</u>			
Federal Funds*	\$ 5,702,244	\$ 5,923,731	\$ 6,215,812
General Fund*	<u>2,951,944</u>	<u>2,894,626</u>	<u>2,804,376</u>
Total	<u>\$ 8,654,188</u>	<u>\$ 8,818,357</u>	<u>\$ 9,020,188</u>
Percent Federal Medicaid Funds of Total Cost	<u>53.3%</u>	<u>52.7%</u>	<u>52.5%</u>

* Approximate based upon the medicaid reimbursement rate of 65.89 percent in fiscal 1986; 67.175 percent in fiscal 1987; and 68.91 percent in fiscal 1988.

As shown in Table 1, medicaid certification means that approximately 53 percent of the cost to run the center is offset by federal medicaid funds.

History

In fiscal 1986, medicaid surveyors determined that the center was not meeting standards in several areas, including personnel policies, resident living, professional and special programs and services, training and habilitation services, physical and occupational therapy services, psychological services, and speech pathology and audiological services. In response, the center created 16.00 FTE professional positions and pledged to fill certain professional positions then vacant, including speech pathology, occupational therapy, and physical therapy.

In fiscal 1987, medicaid surveyors determined that, among other deficiencies, standards of active treatment for residents were not being met:

(d)eficiencies...such as staff shortages, inadequate supervision of staff, absence of need-oriented programming for residents...and newly-hired professional staff who are not yet fully functional...indicate that active treatment is not being provided...

In response, the center added 15 direct care positions in fiscal 1988, or an annualized 7.50 FTE, to institute a posting system of staffing to replace the patient to staff ratio system and to add another shift of direct care staff in an attempt to maintain treatment standards and certification. All costs of the positions, totaling \$130,109, were absorbed by the center in its current level budget. The positions are being requested in the 1991 biennium in a modified budget. The center has also converted 2.00 FTE to direct care staff and is requesting that the 2.00 FTE pharmacy positions also be converted. The following table summarizes costs of additional staff to maintain medicaid certification since fiscal 1986.

Table 2
Staff Costs to Maintain Medicaid Certification
Fiscal Years 1986 through 1991

<u>Current Level</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY90</u>	<u>FY91</u>
16.00 FTE Professional Staff	\$9,983	\$275,748	\$404,263	\$411,016	\$411,312
Conversion of Staff	-0-	-0-	-0-	4,360	4,354
Maint. of Pharmacy Positions	-0-	-0-	-0-	47,292	47,221
Subtotal	\$9,983	\$275,748	\$404,263	\$462,668	\$462,887
<u>Modified Request</u>					
15.00 (7.50) FTE Direct Care	\$ -0-	\$ -0-	\$130,109	\$297,170	\$297,729
Resident Work Program	-0-	-0-	-0-	47,467	47,467
Subtotal	\$ -0-	\$ -0-	\$130,109	\$344,637	\$345,196
Total	\$9,983	\$275,748	\$534,372	\$807,305	\$808,083

1989 Biennium

In fiscal 1989, despite the additions to direct care and professional staff made since fiscal 1986, medicaid surveyors once again cited the center as deficient in treatment, as well as other areas, stating that:

(d)eficiencies cited...addressing resident idleness, injuries, meaningless activities, lack of resident supervision and positive staff interaction, the chaotic unstructured environment, use of restrictive procedures and professional staff shortages evidence the absence of the provision of active treatment...Standard...Not Met...

In response to this and prior medicaid reports, the department is instituting a "schedule and scenario" system of active treatment, increasing training of staff, and stepping up efforts to recruit professional staff. The department has also indicated it may seek a pay exception for certain professional staff to aid in recruiting. The department also contracted with a consultant from a state which has used the schedule and scenario system to maintain medicaid certification. However, no additional funds have been requested for the potential costs of these actions.

Option A: Fund the modified requests. This option would add 15.00 FTE direct care positions and cost \$344,637 general fund in fiscal 1990 and \$345,196 in fiscal 1991.

Option B: Take no action.

CENTER FOR THE AGED
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	98.14	\$5,471,125	\$5,503,295
LFA Current Level	<u>97.84</u>	<u>5,256,927</u>	<u>5,289,097</u>
Executive Over (Under) LFA	<u><u>0.30</u></u>	<u><u>\$ 214,198</u></u>	<u><u>\$ 214,198</u></u>

The difference between the executive and LFA current level is due to three factors: 1) differences in the calculation of vacancy savings; 2) maintenance of the pharmacist position in current level; and 3) modified budgets added by the executive.

ISSUE 1: VACANCY SAVINGS

LFA current level includes vacancy savings at an aggregate level of 3.2 percent, while the executive includes vacancy savings at 2 percent. As a result, the general fund in the executive budget is \$53,415 over current level.

ISSUE 2: PHARMACY

Current level includes a 0.70 FTE pharmacist position and \$39,811 in personal services for the pharmacy program. The executive includes \$49,834 to contract for the pharmacy function, for a difference of \$10,023. For a department-wide discussion of the pharmacy contract, see Issue 2 on page D-8.

ISSUE 3: MODIFIED BUDGET - SOCIAL WORKER

The executive includes 1.00 FTE social worker and \$50,199 of general fund to address a deficiency cited by the medicaid certification authority in social services at the center.

ISSUE 4: MODIFIED BUDGET - OMNIBUS RECONCILIATION ACT

New federal standards of care in medicaid certified long-term care facilities contained in the Omnibus Reconciliation Act of 1987 will impact the Center for the Aged in the 1991 biennium. The executive has included 2.40 FTE in fiscal 1990 and \$97,202 of general fund over the biennium for staff training, quality assurance, and medical director requirements. For a department-wide discussion of the new regulations, see Issue 1 on page D-5.

CENTER FOR THE AGED

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	97.84	97.84	97.84	97.84	0.00
Personal Services	\$2,126,341	\$2,135,207	\$2,081,463	\$2,095,953	(1.97)
Operating Expenses	496,022	524,056	540,372	552,909	7.18
Equipment	433	24,567	9,200	9,200	(26.40)
Total Expenditures	\$2,622,796	\$2,683,830	\$2,631,035	\$2,658,062	(0.33)
<u>Fund Sources</u>					
General Fund	\$2,616,114	\$2,674,095	\$2,614,000	\$2,642,927	(0.63)
State Special	6,682	9,735	17,035	15,135	95.96
Total Funds	\$2,622,796	\$2,683,830	\$2,631,035	\$2,658,062	(0.33)

<u>ISSUES</u>	- - - Fiscal 1990 - - -		- - - Fiscal 1991 - - -	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Pellet Food Tray System				
Option A:	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Option B:	15,645	-0-	(9,200)	-0-
Option C:	24,845	-0-	-0-	-0-

Program Description

The Center for the Aged is a residential facility for long-term care and treatment of persons in need of continued psychiatric care who are 55 years or older and are transferred from Montana State Hospital or referred from Montana mental health centers. The center was budgeted for an average daily population of 171 in the 1989 biennium. Average daily population was 169 in fiscal 1988. The facility has a capacity of 191.

Budget

Personal services decrease 2.0 percent due primarily to the net effect of step changes with employee turnover and a reduction in the workers' compensation modification factor. Vacancy savings is included at the agency requested rate of 3.2 percent in the 1991 biennium, compared to an actual vacancy savings rate of 3.7 percent in fiscal 1988.

Operating expenses increase 7.2 percent because of five factors: 1) SBAS on-line entry charges from the Department of Administration; 2) an increase in milk to address a medicaid deficiency; 3) an increase in canteen purchases; 4) inflation of \$23,508 in fiscal 1990 and \$37,775 in fiscal 1991; and 5) an accounting change, whereby expenditures from purchases made with profits from vending machines will now be budgeted. These expenditures were not previously budgeted.

Current level equipment is the average of fiscal years 1986, 1987, and 1988 expenditures, or \$9,200 each year which will fund the second, fourth, fifth, sixth, and seventh items on the equipment list. This does not fund the center's first priority, a pellet food tray system costing \$24,845.

Funding

Revenue from vending machine profits, which was previously part of resident accounts and not budgeted, is expected to total \$9,200 in fiscal 1990 and \$7,300 in fiscal 1991. Also included are donations of \$500, and canteen funds of \$7,335 each year. Canteen funds totaled \$4,718 in fiscal 1988. The general fund provides approximately 99 percent of the funds for this institution.

ISSUE 1: FOOD TRAY SYSTEM

The 1987 legislature authorized a biennial appropriation of \$18,121 to the Center for the Aged to purchase a Gemini thermal food tray system. According to the center, the system would have served 180 residents. In fiscal 1988, the center discovered the thermal tray system would not meet medicaid requirements. Plans to purchase the Gemini system were dropped, and the center made the decision to purchase a pellet food tray system in fiscal 1989; however, this system will only accommodate 60 residents. In fiscal 1990, the center is requesting an additional \$24,845 to purchase the system for the remainder of the center's residents, which would make the total cost of the pellet system \$44,236, or \$26,115 over the amount originally appropriated for a food tray system.

Option A: Do not fund the pellet food tray system.

Option B: Include \$24,845 over the biennium for equipment purchases, which would allow the purchase of the food tray system, but no other equipment. This will increase the appropriation for the biennium by \$6,445.

Option C: Appropriate \$24,845 in fiscal 1990 for the food tray system.

EASTMONT HUMAN SERVICES TRAINING CENTER
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	93.02	\$4,556,613	\$4,558,013
LFA Current Level	92.02	4,428,982	4,430,382
Executive Over (Under) LFA	<u>1.00</u>	<u>\$ 127,631</u>	<u>\$ 127,631</u>

The difference between the LFA current level and the executive is due primarily to two factors: 1) differences in the vacancy savings rate applied and 2) a modified budget added by the executive.

ISSUE 1: VACANCY SAVINGS

LFA current level applies a vacancy savings rate of 4 percent on all positions, while the executive applies a rate of 2 percent. Consequently, the executive includes \$77,148 more general fund for the biennium than current level.

ISSUE 2: MODIFIED BUDGET - HCFA REGULATIONS

The executive has included 1.00 FTE Qualified Mental Retardation Professional (QMRP) and \$55,083 of general fund to address deficiencies cited by the medicaid certification authority.

EASTMONT HUMAN SERVICES TRAINING CENTER

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	92.02	92.02	92.02	92.02	0.00
Personal Services	\$1,826,272	\$1,928,064	\$1,895,584	\$1,899,953	1.10
Operating Expenses	313,509	324,082	309,884	316,383	(1.78)
Equipment	<u>12,356</u>	<u>10,000</u>	<u>4,289</u>	<u>4,289</u>	<u>(61.63)</u>
Total Expenditures	<u>\$2,152,137</u>	<u>\$2,262,146</u>	<u>\$2,209,757</u>	<u>\$2,220,625</u>	<u>0.36</u>
<u>Fund Sources</u>					
General Fund	\$2,150,715	\$2,258,146	\$2,209,057	\$2,219,925	0.46
State Special	<u>1,422</u>	<u>4,000</u>	<u>700</u>	<u>700</u>	<u>(74.18)</u>
Total Funds	<u>\$2,152,137</u>	<u>\$2,262,146</u>	<u>\$2,209,757</u>	<u>\$2,220,625</u>	<u>0.36</u>

Program Description

Eastmont Human Services Training Center is a 55-bed intermediate care facility for developmentally disabled adults and children. The center provides care, treatment, and education services to developmentally disabled residents of the state under the authority of Title 53-20-204, MCA. The center was budgeted for an average daily population of 53 for the 1989 biennium. The actual population averaged 54 in fiscal 1988.

Budget

Personal services increase 1.1 percent. Vacancy savings is included at the requested level of 4.0 percent. Actual vacancy savings totaled 7.5 percent in fiscal 1988. If funding for the three contracted positions is removed, vacancy savings totaled 3.6 percent.

Operating expenses decrease 1.8 percent. The center has been cited as deficient in its medicaid review due to the limited availability of the psychologist and other professional staff, and its limited communications programs. Since the fall of fiscal 1987, the center has been contracting for psychologist, dietician, and speech pathologist services due to the vacancies of those three positions. In the 1991 biennium, all three positions are included in personal services, and all contracts, totaling \$16,229, are eliminated. In addition, recruiting costs of \$6,308 are removed.

Equipment is included at the average of fiscal 1986, 1987, and 1988 expenditures, which will allow the center to purchase the first five priority items on the equipment budget.

Funding

General fund, which is the primary funding source for the center, rises 0.5 percent. State special revenue is donations, which decrease from fiscal 1988 to fiscal 1990 due to a one-time estate donation in fiscal 1988.

MONTANA VETERANS' HOME
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	84.40	\$1,381,061	\$4,801,329
LFA Current Level	<u>81.30</u>	<u>1,129,336</u>	<u>4,529,209</u>
Executive Over (Under) LFA	<u><u>3.10</u></u>	<u><u>\$ 251,725</u></u>	<u><u>\$ 272,120</u></u>

The difference between the executive budget and LFA current level is due to three factors: 1) the application of vacancy savings; 2) funding of the pharmacy contract; and 3) modified budgets added by the executive.

ISSUE 1: VACANCY SAVINGS

The LFA current level applies vacancy savings of 4 percent to all positions, while the executive applies 2 percent. As a result, the executive is \$69,942 higher than LFA current level.

ISSUE 2: PHARMACY

The LFA current level includes a 0.50 FTE pharmacist and personal services costs of \$29,257, while the executive budget includes \$62,373 to contract for all pharmacy functions, or \$33,116 more. For a department-wide discussion of the pharmacy contract, see Issue 2 on page D-8.

ISSUE 3: THIRD-PARTY REVENUE

The Montana Veterans' Home receives reimbursements from members for the cost of care based upon their ability to pay. The executive has included this revenue at \$1,900,000 in the 1991 biennium, while LFA current level includes \$1,861,815, or \$38,185 less.

ISSUE 4: MODIFIED BUDGETS - ADDITIONAL STAFF

The executive budget includes 1.60 FTE registered nurse, 1.00 FTE nurse's aide, and 1.00 FTE social worker to meet Veterans' Administration standards.

ISSUE 5: MODIFIED BUDGET - OMNIBUS RECONCILIATION ACT

Changes in federal regulations under the Omnibus Reconciliation Act of 1987 regarding medicaid reimbursed long-term care facilities will impact the Montana Veterans' Home in the 1991 biennium. The executive adds 1.17 FTE in fiscal 1990 and \$32,281 of general fund over the biennium for state training, medical and pharmaceutical review, and quality assurance requirements. For a department-wide discussion of the new regulations, see Issue 1 on page D-5.

MONTANA VETERANS' HOME

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	81.30	81.30	81.30	81.30	0.00
Personal Services	\$1,618,944	\$1,700,448	\$1,687,785	\$1,700,412	2.07
Operating Expenses	503,842	523,035	556,788	572,570	9.98
Equipment	9,849	1,747	5,827	5,827	0.50
Total Expenditures	<u>\$2,132,635</u>	<u>\$2,225,230</u>	<u>\$2,250,400</u>	<u>\$2,278,809</u>	<u>3.93</u>
Fund Sources					
General Fund	\$ 462,335	\$ 554,251	\$ 555,124	\$ 574,212	11.09
State Special	16,023	20,764	20,764	20,764	12.89
Federal Revenue	<u>1,654,277</u>	<u>1,650,215</u>	<u>1,674,512</u>	<u>1,683,833</u>	<u>1.63</u>
Total Funds	<u>\$2,132,635</u>	<u>\$2,225,230</u>	<u>\$2,250,400</u>	<u>\$2,278,809</u>	<u>3.93</u>
ISSUES					
	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. Close the Veterans' Home	\$87,324	\$(1,695,276)	\$(126,191)	\$(1,704,597)	

Program Description

The Montana Veterans' Home provides domiciliary and nursing care to honorably discharged veterans and, if space is available, to veterans' spouses. An addition to the home was completed in fiscal 1984 increasing the bed capacity to 151, an increase of 36. Sixty-one of the 151 beds are domiciliary, while 90 are nursing care beds. The home averaged 132 members in residence in fiscal 1988 with 49 in domiciliary care and 83 in nursing. The home was budgeted for an average daily population (ADP) of 135 in the 1989 biennium.

Budget

Personal services increase by 2.1 percent primarily due to two factors: 1) vacancy savings was 6.6 percent in fiscal 1988 as compared to 4.0 percent applied to both years of the 1991 biennium; and 2) benefits as a percent of salaries were 32.2 percent in fiscal 1988 and budgeted at 32.6 percent in fiscal 1989, as compared to 34.7 percent in fiscal 1990 and 35.4 percent in fiscal 1991. The rise is primarily due to increases in workers' compensation costs.

Operating expenses increase 10 percent due to three factors: 1) contracted physician expenses rise \$12,334 because of changes in the Veterans' Administration standards for domiciliary care; 2) drug costs increase \$11,686 each year because fiscal 1988 expenditures were reduced due to a credit received for

purchase of the drug inventory by the pharmacy contractor; and 3) inflation adds a total of \$19,528 in fiscal 1990 and \$35,038 in fiscal 1991.

Equipment is included at the average of actual fiscal 1986, 1987, and 1988 expenditures, and totals \$5,827 each year, which would allow the purchase of the second and third items on the equipment list.

Funding

Funding for the Montana Veterans' Home comes from five sources: 1) general fund, 2) income from the canteen, 3) Veterans' Administration (VA) reimbursements, 4) third party reimbursements, and 5) interest and income.

General fund supports over 24 percent of the program and totals \$555,124 in fiscal 1990 and \$574,212 in fiscal 1991.

State special revenue consists of canteen revenue, which is at the fiscal 1989 appropriated level of \$20,764 each year.

Federal revenue consists of three funds: Veterans' Administration reimbursement, third-party payments, and land lease income. The Veterans' Administration reimburses the home a set amount per day for each eligible veteran but does not reimburse for veterans' spouses. In January of fiscal 1988, the per diem rate was increased from \$17.05 per day for nursing care residents and \$7.30 for domiciliary residents, to \$20.35 and \$8.70 per day, respectively. Per diem payments are included at \$742,665 each year of the 1991 biennium compared to a fiscal 1988 total of \$678,232. Third-party income consists of private payments from residents, medicaid, and insurance. Income totals \$926,247 in fiscal 1990 and \$935,568 in fiscal 1991, compared with a fiscal 1988 total of \$970,445. The decrease in revenue is primarily because private payments are reduced when VA payments rise; therefore, fiscal 1988 included higher private payments prior to the increase in VA reimbursements. Interest and income is derived primarily from land leases and totals \$5,600 each year.

ISSUE 1: CLOSING THE MONTANA VETERANS' HOME

According to Section 53-1-207, MCA, the Department of Institutions' purpose is: 1) to restore the physically or mentally handicapped; 2) to rehabilitate violators of the law; 3) to sustain the vigor and dignity of the aged; and 4) to train children of limited mental capacity to their best potential. The State of Montana operates six institutions around the state for these purposes: 1) the Montana Developmental Center at Boulder and the Eastmont Human Services Training Center at Glendive, which care for developmentally disabled persons; 2) the Center for the Aged at Lewistown, which cares for elderly persons with chronic mental disorders related to the aging process requiring a level of care not available in the community; 3) Montana State Hospital, which cares for the seriously mentally ill and those with chemical dependencies; and 4) Montana State Prison at Deer Lodge and Swan River Forest Camp at Swan Lake, which provide care and custody for persons incarcerated by the courts. With the exception of residents of the Montana Veterans' Home, no group of citizens outside the requirements of seriously mentally ill, developmentally disabled, chemically dependent, or convicted of a serious crime is afforded care in a state supported and subsidized institution.

Eligibility for admission to the Montana Veterans' Home is that the person be an honorably discharged veteran who served in the armed forces of the United States, or the spouse or surviving spouse of an honorably discharged veteran. Montana statute specifies that consideration be given to a person's age, physical and mental status, ability or inability to locate suitable alternative accommodations, term of residence in Montana, gender, and the ability of the home to meet the person's needs. Table 1 shows funding and average daily population (ADP) of the home since fiscal 1988.

Table 1
Funding - Montana Veterans' Home
Fiscal 1988 through 1991

	Actual FY88	Budgeted FY89	- - - Current Level - - -		% Change FY88-FY91
			FY90	FY91	
Average Daily Population	131.8	135.0	132.0	132.0	0.1
Funding					
General Fund	\$ 462,335	\$ 554,251	\$ 555,124	\$ 574,212	24.2
VA Reimbursement	678,232	642,904	742,665	742,665	9.5
Third Party Revenue	970,445	1,004,311	926,247	935,568	(3.6)
Other*	21,623	23,764	26,364	26,364	21.9
Total	<u>\$2,132,635</u>	<u>\$2,225,230</u>	<u>\$2,250,400</u>	<u>\$2,278,809</u>	<u>6.9</u>

* Includes interest and income and canteen funds.

The table shows that general fund has increased 24.2 percent from fiscal 1988 to fiscal 1991, and that the general fund is used to subsidize the nursing home and domiciliary expenses of 132 veterans and their spouses.

Two issues to consider in determining whether the Montana Veterans' Home should be closed are: 1) alternate living facilities for current residents and 2) potential costs of closure.

Alternate Housing for Current Residents

The domiciliary of the Montana Veterans' Home is a residential, rather than a nursing facility. Residents do not require nursing care; therefore, the issue assumes residents are responsible for obtaining alternate living facilities. There are approximately 48 residents in the domiciliary wing.

There are currently 90 residents of the nursing wing. All are assumed to require community nursing home care. Table 2 shows the number of licensed long-term care beds, bed days, patient days, and percent of occupancy in 1987, by region, as supplied by the Department of Health and Environmental Sciences.

Table 2
Montana Long-Term Care Facilities
1987

	Region I Eastern	Region II No. Central	Region III Central & South East	Region IV Southwest	Region V Northwest	Total
Nursing Home Beds	995	1,181	1,113	1,447	1,443	6,179
Nursing Bed Days	363,175	431,065	406,245	528,155	515,745	2,244,385
Nursing Patient Days	335,123	394,569	388,204	470,621	462,037	2,050,554
Percent Occupancy	92.3%	91.5%	95.6%	89.1%	89.6%	91.4%

According to the department of health, there were 6,297 beds in fiscal 1988, with a further 348 expected to come on-line in the 1991 biennium for a total of 6,645 beds. Therefore, there should be sufficient vacant nursing home beds available for the residents in the nursing wing.

Based upon certain income and asset eligibility criteria, residents of long-term care facilities are eligible for medicaid if it is determined they cannot meet the full cost of their care. The nursing wings of the Montana Veterans' Home currently have a capacity of 90 residents. Average occupancy in the last six months of fiscal 1988 was 86 residents. The average number able to pay full cost for their care in the last six months of fiscal 1988 was 27 residents, who paid \$35.55 per day. The remainder of the residents in the nursing wings paid a portion or none of the cost of their care. According to the Department of Social and Rehabilitation Services, the average cost of nursing care facilities reimbursed by medicaid is approximately \$51 per day in fiscal 1989. Because of the large increase in cost per day the resident would assume if moved to a non-state operated nursing home, it is anticipated that 14 of the average number of residents currently paying the total cost of their care would be eligible for medicaid. This 14, added to the number of partial pay and non-pay residents, would assume that 72 residents would qualify for medicaid.

The Department of Social and Rehabilitation Services negotiates a medicaid reimbursement for each eligible nursing facility in the state. In fiscal 1989, this rate averaged \$37.40 per day. The state must match approximately 30 percent of this rate, or \$11.22 per day. Assuming that 72 residents of the nursing wings at the Montana Veterans' Home would be eligible for medicaid, the total state general fund portion of their cost of care in non-state operated long-term care facilities could total approximately \$295,200 each year. Medicaid payments to the Montana Veterans' Home in fiscal 1988 were \$22,322, of which approximately \$6,700 was general fund.

Potential Costs of Closure

There are two major costs of closing the Montana Veterans' Home: 1) maintenance of the facility and 2) federal recapture of construction costs.

If the building were to be vacated, it would have to be maintained until it could be sold or utilized by the state for another purpose. Table 3 shows costs

of maintaining the building, assuming staff would have to be on the premises at all times to prevent vandalism or other damage, and that utilities would have to be maintained to prevent weather damage. The table assumes actual fiscal 1988 utilities costs.

Table 3
Montana Veterans' Home - Maintenance Costs

<u>Object of Expenditure</u>	<u>Total Cost</u>
Staff - 4.8 FTE Grade 7 Custodial Worker	\$ 80,218
Utilities	<u>79,303</u>
Total Cost	<u><u>\$159,521</u></u>

Federal Recapture

Federal regulations state the following:

If, within 20 years after completion of any project with respect to which a grant has been made [for construction, acquisition, expansion, remodeling, or alteration of facilities]...such facilities cease to be operated by a State...the United States shall be entitled to recover from the State which was the recipient of the grant...65 percent of the then value of such project (but in no event an amount greater than the amount of assistance provided...)

The Montana Veterans' Home has had three construction projects since fiscal 1969: 1) the domiciliary, with no federal financial participation; 2) a 40 bed nursing wing, with federal participation of \$194,427 of a total project cost of \$392,667, or 50 percent, according to the Architecture and Engineering Division; and 3) a 50 bed nursing wing, with no federal participation. The state, therefore, could be liable for federal recapture of up to \$194,427 upon closure of the home.

Summary of Costs

Table 4 summarizes the 1991 biennium general fund costs of closure of the Montana Veterans' Home, and compares this cost with the current level general fund to operate the home.

Table 4
Montana Veterans' Home - Comparison of Closure Costs to Operating Costs
1991 Biennium

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>Total Biennium</u>
Current Level General Fund	\$ 555,124	\$ 574,212	\$1,129,336
SRS Share of Medicaid	<u>6,700</u>	<u>6,700</u>	<u>13,400</u>
Total General Fund	\$ 561,824	\$ 580,912	\$1,142,736
<u>Closure Costs</u>			
Potential Medicaid	\$ 295,200	\$ 295,200	\$ 590,400
Maintenance	159,521	159,521	319,042
Federal Recapture	<u>194,427</u>	<u>-0-</u>	<u>194,427</u>
Total Closure Costs	<u>\$ 649,148</u>	<u>\$ 454,721</u>	<u>\$1,103,869</u>
Difference	<u>\$ (87,324)</u>	<u>\$ 126,191</u>	<u>\$ ---38,867</u>

As shown in Table 4, closure of the home would result in a savings of \$38,867 in the 1991 biennium. However, general fund savings would total approximately \$125,000 each year thereafter. If the building were to be sold and maintenance costs avoided, yearly general fund savings would total over \$285,000.

Option A: Close the Montana Veterans' Home. This option would cost \$87,324 of general fund in fiscal 1990 and save \$126,191 of general fund in fiscal 1991. This option does not include any costs to assist current residents in finding alternate living facilities.

Option B: Take no action.

**MONTANA STATE HOSPITAL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL**

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	718.00	\$39,685,809	\$43,187,638
LFA Current Level	720.00	38,724,367	42,226,196
Executive Over (Under) LFA	<u>-(2.00)</u>	<u>\$ 961,442</u>	<u>\$ 961,442</u>

Differences between the executive budget and LFA current level are due primarily to four factors: 1) the application of vacancy savings; 2) funding of pharmacy functions; 3) calculation of personal services benefits; and 4) a modified budget added by the executive.

ISSUE 1: VACANCY SAVINGS

LFA current level applies a 4 percent vacancy savings to all positions in the 1991 biennium, while the executive applies a 2 percent vacancy savings rate. As a result, the executive budget includes \$721,523 more general fund than LFA current level.

ISSUE 2: PHARMACY

LFA current level has 5.00 FTE pharmacists and pharmacy technicians at a cost of \$239,765 in personal services in the 1991 biennium. The executive budget deletes these positions and funds a contract for all pharmacy functions totaling \$567,138 for a difference of \$327,373. For a department-wide discussion of the pharmacy contract, see Issue 2 on page D-8.

ISSUE 3: PERSONAL SERVICES BENEFITS

The executive budget does not include benefits for holidays worked, differential, overtime, or longevity. As a result, LFA current level includes approximately \$270,000 more general fund than the executive budget.

ISSUE 4: MODIFIED BUDGET - OMNIBUS RECONCILIATION ACT

Changes in federal regulations governing standards of medicaid reimbursed long-term care facilities included in the Omnibus Reconciliation Act of 1987 will impact Montana State Hospital in the 1991 biennium. The executive includes 4.35 FTE in fiscal 1990 and 3.00 FTE in fiscal 1991 at a cost of \$190,235 in general fund for staff training and quality assurance. For a department-wide discussion of the new federal regulations, see Issue 1 on page D-5.

MONTANA STATE HOSPITAL

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	705.46	720.00	720.00	720.00	14.54
Personal Services	\$17,519,362	\$18,552,673	\$17,751,040	\$17,877,682	(1.23)
Operating Expenses	3,394,988	3,297,592	3,196,647	3,286,795	(3.12)
Equipment	<u>114,475</u>	<u>30,000</u>	<u>57,016</u>	<u>57,016</u>	<u>(21.07)</u>
Total Expenditures	<u>\$21,028,825</u>	<u>\$21,880,265</u>	<u>\$21,004,703</u>	<u>\$21,221,493</u>	<u>(1.59)</u>
<u>Fund Sources</u>					
General Fund	\$19,284,241	\$20,146,957	\$19,254,092	\$19,470,275	(1.79)
State Special	1,738,667	1,729,533	1,748,126	1,748,653	0.82
Federal Revenue	<u>5,917</u>	<u>3,775</u>	<u>2,485</u>	<u>2,565</u>	<u>(47.90)</u>
Total Funds	<u>\$21,028,825</u>	<u>\$21,880,265</u>	<u>\$21,004,703</u>	<u>\$21,221,493</u>	<u>(1.59)</u>

Program Description

Montana State Hospital provides evaluation and psychiatric treatment on the Warm Springs campus for adults who are mentally ill. Inpatient alcohol and drug treatment programs are offered at the Galen campus, as well as acute and intermediate care medical services for the mentally ill. The Warm Springs campus had an average daily population of 288 in fiscal 1988, while the Galen campus served an average daily population of 178.

Budget

FTE increase by 14.54 from fiscal 1988 to fiscal 1990 for two reasons: 1) a 0.41 FTE was added via budget amendment in fiscal 1988 and has been deleted; and 2) in fiscal 1988, 29.9 positions (annualized 14.95 FTE) were added to the Forensics Unit to staff the new building for one-half of the year. The 1991 biennium includes the positions for a full year.

Personal services decrease 1.23 percent due to the cumulative effect of several factors. Personal services increase from fiscal 1988 to fiscal 1990 as the net result of: 1) full staffing of the Forensics Unit, coupled with vacancies in fiscal 1988, adds \$426,000; 2) funding of two psychiatrist positions in the 1991 biennium that were vacant in fiscal 1988 adds \$187,000; 3) full funding of five positions in the pharmacy adds \$48,000 to fiscal 1988 actual expenditures of \$71,000; and 4) benefits as a percent of total salaries decrease from 35.5 percent in fiscal 1988 to 31.8 percent in fiscal 1990, primarily due to a decrease in the workers' compensation modification factor. Personal services decrease between fiscal 1989 and fiscal 1990 because: 1) step changes due to employee turnover lower overall salaries; and 2) vacancy savings totals 4.0 percent on all positions in the 1991 biennium, compared to a budgeted rate of 4.0 percent on nondirect care and 2.0 percent on direct care positions in fiscal 1989.

In fiscal 1988, the hospital used excess utilities and personal services vacancy savings costs to overexpend contracted services, repair and maintenance, and other expenses. Operating expenses decrease 3.1 percent because: 1) all contracted services for the vacant psychiatrist positions totaling \$104,930, as well as all recruitment costs totaling \$12,995, were removed from current level due to full funding of the positions; 2) medical costs were reduced \$62,574 to an average of actual expenditures during the last five fiscal years due to higher than normal expenditures for a terminal patient; 3) Department of Administration insurance costs decrease \$43,043; 4) the contract with HPI for pharmacy services was deleted to allow for legislative review; 5) repair and maintenance was reduced to the average of actual expenditures in the previous five fiscal years due to an inflated base year expenditure; 6) drugs increase \$61,253 because of an inventory buy back which reduced total expenditures in fiscal 1988; 7) inflation adds \$72,530 in fiscal 1990 and \$157,609 in fiscal 1991; and 8) dietician services of \$17,116 which were contracted for in fiscal 1988 due to the vacancy of the dietician position were deleted because the dietician position is included in personal services.

The hospital used vacancy savings to purchase equipment in fiscal 1988 and also made expenditures in excess of the appropriation in the 1987 biennium. Therefore, equipment is included at the average of the appropriated amount in fiscal 1986, 1987, and 1988, or \$57,016 each year, which would allow the hospital to purchase the first, second, fourth, and fifth items on the equipment list.

Funding

General fund provides over 91 percent of the total funding of the hospital.

State special revenue consists of alcohol tax, canteen revenues, and donations. Alcohol revenue supports the Alcohol Service Center at Galen, as well as some administrative costs, and totals \$1,595,601 in fiscal 1990 and fiscal 1991. Canteen funds are used to purchase items in the canteen, which are sold to residents. Expected income and expenditures total \$145,817 each year. A 1.0 FTE canteen manager is supported with general fund. Donations total \$7,221 in fiscal 1990 and \$7,235 in fiscal 1991.

Federal revenue consists of interest and income and Chapter I funds. Interest and income totals \$311 each year. Chapter I funds from the Department of Education total \$2,174 in fiscal 1990, and \$2,254 in fiscal 1991.

Lawsuit

In fiscal 1988, the American Civil Liberties Union, the Mental Health Law Project, the Mental Disabilities Board of Visitors, and the Mental Health Protection and Advocacy Program filed a class action lawsuit on behalf of residents of the Montana State Hospital.

Allegations

The suit alleges violations of patients' rights with: 1) hospital-wide abuses of seclusion and restraint; and 2) confinement in the Forensics Unit in "unbearable and punitive conditions."

1. Abuse of Seclusion and Restraint - The suit alleges that patients are kept in seclusion or restraint due to insufficient staff to supervise them, because

of inadequate instruction or guidance in using less restrictive alternatives, as punishment, or for the convenience of the staff. The suit also alleges that the hospital's own policies and procedures with regard to seclusion and restraint are not being followed.

2. Forensics Unit - The suit alleges the abuse of psychotropic drugs and the lack of privacy, exercise, safety, and appropriate psychiatric and medical treatment in the Forensics Unit. The suit also alleges that civilly committed and voluntary patients of the hospital are transferred to the unit without proper due process and that patients' conditions deteriorate in the unit. According to the ACLU, abandonment of the old Forensics Unit for treatment and movement into the new has not resolved any part of the suit.

Relief Requested

The suit requests injunctive relief in a number of areas.

Seclusion and Restraint - The suit requests that the courts order the defendants to: 1) follow its own set policies governing the use of restraints; 2) appropriately train staff; 3) amend current policies to require an examination by a physician, except in emergencies, before placing a patient in restraints; 4) eliminate automatic use of seclusion or restraints; 5) eliminate the use of "four-point" and "six point" restraints; 6) maintain at least one professional person on each ward on each shift, and require that any patient in seclusion or restraints be examined regularly by that professional; and 7) establish a monitoring committee.

Forensics Unit - The suit requests that the courts: 1) declare that the old forensics unit violates state and federal law, order it closed, and prohibit its use to house patients; 2) declare that current procedures for transferring civilly and voluntarily committed patients to the Forensics Unit violates patients' rights, enjoin any future transfer or require notice to allow the opportunity to contest the transfer, order that current civil or voluntary patients be transferred or a hearing be convened to determine if placement is proper, and prevent general restrictions on a patient's ability to leave the unit not based on an individual assessment; 3) compel the provision of a safe environment; and 4) compel the maintenance of a sufficient staff/patient ratio, including professional staff, to meet psychiatric, psychological, medical treatment, and basic needs of patients. The suit also seeks actual and compensatory damages for each member of the class action forced to live in the Forensics Unit from May 16, 1985, and attorney's fees. Potential costs of complying with any of these requests have not been estimated by the Department of Institutions.

DEPARTMENT OF FAMILY SERVICES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	562.49	\$41,600,538	\$65,049,712
LFA Current Level	557.51	37,640,518	61,442,828
Executive Over (Under) LFA	<u>--4.98</u>	<u>\$ 3,960,020</u>	<u>\$ 3,606,884</u>

The major differences between the executive budget and LFA current level are due primarily to four factors: 1) vacancy savings; 2) upgrades of social workers, cottage life attendants, and security guards; 3) rent on field offices; and 4) modified budgets added by the executive. LFA current level includes more "other funds" due to assumption of a higher county and federal participation in foster care expenses and federal boarder revenue at Mountain View School.

ISSUE 1: VACANCY SAVINGS

The executive includes vacancy savings of 2 percent on all positions, while the LFA current level includes 4 percent. As a result, the executive has \$390,405 more general fund and \$137,609 more other funds than LFA current level.

ISSUE 2: UPGRADES

The executive budget includes \$762,551 of general fund and \$136,452 of other funds over the biennium for upgrades of social workers, cottage life attendants, and security guards. These costs are not included in LFA current level. The upgrades are expected in fiscal 1989.

ISSUE 3: BENEFITS FOR DIRECT CARE POSITIONS

A calculation error in the executive budget causes benefits to be overstated by \$55,965 of general fund over the biennium.

ISSUE 4: RENT ON FIELD OFFICES

In the 1989 biennium, the Department of Social and Rehabilitation Services paid all shared expenses between the the Economic Assistance Division and the Department of Family Services field offices. In the 1991 biennium, these expenses are split between the two departments in both the executive budget and LFA current level. However, the executive has \$286,688 more, including \$215,016 general fund and \$71,672 other funds, for rent on field offices than LFA current level. The executive also includes \$40,000 (\$30,000 general fund and \$10,000 other funds) for parking in Yellowstone County which are not in LFA current level.

ISSUE 5: FTE DIFFERENCES

Table A summarizes the FTE differences between the executive budget and LFA current level.

Table A
FTE Differences - Fiscal 1991

	Current Level FTE
1. Elimination of Work Incentive	(4.50)
2. Secretarial Staff	3.90
3. Mountain View School Part-Time Janitor	0.50
4. Day Care Modified Budget	2.50
5. Direct Care Staff at Mountain View - Modified Budget	2.00
6. Substitute Teachers at Mountain View - Modified Budget	<u>0.58</u>
Total FTE Difference	<u><u>4.98</u></u>

Elimination of Work Incentive - The executive budget phases out all Work Incentive (WIN) social workers and expenses of \$18,064 general fund and \$162,576 federal funds over the biennium, because the intent is to propose a jobs program for initiation by July 1, 1989.

Part-time Janitor - LFA current level eliminates a 0.50 FTE janitor added via program transfer in fiscal 1988, as the position was not requested in the budget. The executive includes the position at a cost of approximately \$15,800 general fund over the biennium.

Secretarial Staff - In fiscal 1988, the department added an aggregate 1.63 FTE secretarial staff, using approximately \$27,000 transferred from the Management Services Division. The department requested full funding of the positions in the 1991 biennium. LFA current level does not include these 3.90 FTE and \$85,096 general fund and \$28,365 other funds. Issue 6 contains an explanation of the modified budgets.

ISSUE 6: MODIFIED BUDGETS

The executive includes eight modified budgets not included in LFA current level as summarized in Table B.

Table B
Modified Budgets - Added by Executive
1991 Biennium

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
1. Day Care	\$ 250,000	\$ 5,300	\$ 255,300
2. In-Home Services	735,752	78,100	813,852
3. Provider Rate Increase	382,360	130,622	512,982
4. In-Home Services for Elderly	100,000	-0-	100,000
5. Battered Spouses	-0-	105,000	105,000
6. Mountain View School - Direct Care Staff	69,382	-0-	69,382
7. Mountain View School - Athletic Competition	10,000	-0-	10,000
8. Mountain View School - Substitute Teachers	16,096	-0-	16,096
Total	<u>\$1,563,590</u>	<u>\$319,022</u>	<u>\$1,882,612</u>

Day Care - to increase day care licensing and to develop day care resources in response to changes in federal welfare statutes.

In-Home Services - to expand home and community based services to prevent out-of-home placement of children.

Provider Rate Increase - to provide a 2 percent per year increase in rates paid to providers of foster care services.

In-Home Services for the Elderly - to expand in-home services for the elderly.

Battered Spouse - to allow expenditure of two earmarked state special revenue sources for services to battered spouses.

Direct Care Staff - to add 2.00 FTE direct care staff to Mountain View School in currently occupied cottages due to assaults on staff.

Athletic Competition - to allow students at Mountain View School to participate in interscholastic competition.

Substitute Teachers - to pay for substitute teachers at Mountain View School when the school's teachers are on leave.

ISSUE 7: FOSTER CARE FUNDING

Both the executive budget and the LFA current level budgets include \$7,986,873 each year of the biennium for foster care payments. However, the executive includes \$736,014 more general fund and \$736,014 less other revenue over the biennium than current level for three reasons: 1) current level anticipates a higher level of county reimbursement; 2) the executive carries forward the fiscal 1988 medicaid reimbursement rate, while the LFA current level uses the higher 1991 biennium federal rates; and 3) the executive has eliminated from the funding formula in the 1991 biennium federal funds received via budget amendment in fiscal 1988. Because the funds were received for standard services, they are included in the total overall anticipated federal funds in the LFA current level in the 1991 biennium.

ISSUE 8: FEDERAL BOARDER REVENUE

LFA current level includes federal boarder revenue at Mountain View School at the actual fiscal 1988 reimbursement of \$36,400, while the executive includes \$15,000 each year. As a result, LFA current level includes \$42,800 more for the biennium in federal boarder revenue than the executive budget.

DEPARTMENT OF FAMILY SERVICES

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	558.17	555.31	557.51	557.51	(0.66)
Personal Services	\$12,845,515	\$13,043,192	\$13,019,711	\$13,065,906	0.76
Operating Expenses	2,575,612	2,751,275	2,608,857	2,556,607	(3.03)
Equipment	121,823	119,298	33,607	32,989	(72.38)
Total Operating Costs	\$15,542,950	\$15,913,765	\$15,662,175	\$15,655,502	(0.44)
Non-Operating Costs	15,339,983	15,021,783	15,033,082	15,035,082	(0.97)
Total Expenditures	\$30,882,933	\$30,935,548	\$30,695,257	\$30,690,584	(0.70)
<u>=====</u>					
Fund Sources					
General Fund	\$19,570,214	\$20,179,748	\$18,784,422	\$18,789,429	(5.47)
State Special	94,487	163,242	103,349	103,374	(19.79)
Federal Revenue	11,218,232	10,592,558	11,807,486	11,797,781	8.23
Total Funds	\$30,882,933	\$30,935,548	\$30,695,257	\$30,690,584	(0.70)
<u>=====</u>					

Program Description

The Department of Family Services was created by the 1987 legislature to reorganize services provided within the Departments of Institutions and Social and Rehabilitation Services. The department consists of the Management Support Division, the Community Services Division, which includes the Aftercare and Youth Evaluation Programs, Mountain View School, and Pine Hills School.

Budget

FTE are reduced by 0.66 due to the elimination of 0.73 FTE added by budget amendment in Pine Hills School, the elimination of 1.63 FTE secretarial staff added to the Community Services Division, the addition of 7.00 FTE to the Aftercare Program, and the reduction of 5.30 FTE at Mountain View School.

Personal services rise 0.8 percent due to staff additions in the Aftercare Program, upgrades, and benefits increases.

Operating expenses decrease 3.0 percent due primarily to a reallocation of operating expenses to personal services in the Aftercare Program.

Funding

General fund is reduced 5.5 percent which reflects an anticipated increase in county reimbursements over the actual fiscal 1988 level and a change in federal participation in administrative costs. State special revenue decreases 19.8 percent due to a reduction in expected children's trust fund income compared to

the fiscal 1989 appropriated level. Federal funds increase 8.2 percent due to changes in the federal participation in administrative costs, a change in the medicaid reimbursement rate for benefits, and an increase in expected collections from the counties over the fiscal 1988 level.

Upgrades

In fiscal 1989, it is anticipated that cottage life attendants and social workers will receive upgrades by the Personnel Division of the Department of Administration. Social worker supervisors received upgrades on July 1, 1988.

Cottage Life Attendants

At the time of this writing, the upgrades of cottage life attendants have not been finalized. However, according to the Department of Administration, all grade 8 cottage life attendants, except for training positions and night shift, will be increased to grade 9. In addition, grade 10 cottage life attendants and grade 11 cottage life attendant program supervisors will be created. Cottage life attendants number 70.1 FTE at Mountain View and Pine Hills Schools and 8.50 FTE in the Aftercare and Youth Evaluation Programs. The Department of Family Services has estimated costs at \$113,336 of general fund each year of the biennium. Because the exact configuration and fiscal impact were not known when the budget was submitted, neither the agency request nor current level includes these costs. The upgrades are expected to take effect January 1, 1989.

Social Workers

The exact configuration of social worker upgrades has not been finalized as of when this report was written. However, according to the Department of Family Services, all grade 11 and 12 social workers will be upgraded to either grade 13 or 14, depending upon their duties. Only the federal Work Incentive (WIN) social workers and 1.00 FTE who does only paperwork will be grade 12. The Department of Family Services currently has 188.05 social workers in the field and at Pine Hills and Mountain View Schools who will be affected. Costs of the upgrades are estimated to be \$284,759 each year, of which \$240,257 is general fund and \$44,503 federal funds. Neither the agency request nor current level includes these costs. The upgrades are expected to take effect January 1, 1989.

Social Worker Supervisors

All social worker supervisors were given grade increases from 13 and 14 to grade 15, effective July 1, 1988. The Department of Family Services currently has 32.0 FTE social worker supervisors. Costs are estimated at \$55,060 each year, of which \$47,098 is general fund and \$7,962 federal funds. These costs are included in the current level budget.

Summary

Table 1 summarizes yearly costs in the 1991 biennium of the upgrades awarded field staff in the Department of Family Services.

Table 1
Yearly Costs of Upgrades - Department of Family Services
1991 Biennium

Title	- - - - - Not in Budget - - - - -			In Budget	Total Cost of Upgrades
	Mountain View	Pine Hills	Community Services	Community Services	
Cottage Life Attendants	\$47,044	\$55,580	\$ 10,712	\$ -0-	\$113,336
Social Workers	10,563	8,934	265,262	-0-	284,759
Social Worker Supervisors	-0-	-0-	-0-	55,060	55,060
Total Funding	\$57,607	\$64,514	\$275,974	\$ 55,060	\$453,155
Funding					
General Fund	\$57,607	\$64,514	\$231,471	\$ 47,098	\$400,690
Federal Funds	-0-	-0-	44,503	7,962	52,465
Total Funding	\$57,607	\$64,514	\$275,974	\$ 55,060	\$453,155

MANAGEMENT SUPPORT DIVISION

Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - -		% Change 1989-91 Biennium
			Fiscal 1990	Fiscal 1991	
F.T.E.	43.66	42.66	43.50	43.50	(0.16)
Personal Services	\$1,225,237	\$1,243,460	\$1,236,837	\$1,239,625	0.31
Operating Expenses	639,591	663,389	694,507	638,636	2.31
Equipment	46,057	68,025	9,236	8,618	(84.35)
Total Expenditures	\$1,910,885	\$1,974,874	\$1,940,580	\$1,886,879	(1.50)
Fund Sources					
General Fund	\$1,146,426	\$1,532,819	\$1,436,104	\$1,399,673	5.84
Federal Revenue	764,459	442,055	504,476	487,206	(17.81)
Total Funds	\$1,910,885	\$1,974,874	\$1,940,580	\$1,886,879	(1.50)

Program Description

The Management Support Division provides administrative and fiscal support for the department, as well as overall policy development and program supervision. The division consists of administration, state audit, state aging, and training functions.

The 1987 legislature authorized 15.50 FTE for this program, including 9.50 FTE from the Department of Social and Rehabilitation Services, 1.0 FTE from the Department of Institutions, and 5.00 FTE newly created positions. In fiscal 1988, the department transferred all centralized Community Services Division personnel and expenses to this division. Remaining in the Community Services Division was field and regional office staff and expenses only. Table 2 shows the original appropriated expenditures, the transfer of expenses and personnel, and the combined expenditures for the program.

Table 2
Management Support Division - Authorized Expenditures After Transfers
Fiscal 1988

	Original Appropriation	Transferred From C.S. Division	Total Program
FTE	15.50	28.16	43.66
Personal Services	\$448,008	\$ 777,015	\$1,225,023
Operating Expenses	280,549	388,827	669,376
Equipment	<u>15,025</u>	<u>31,398</u>	<u>46,423</u>
Total Operating Expenditures	<u>\$743,582</u>	<u>\$1,197,240</u>	<u>\$1,940,822</u>
Funding			
General Fund	\$469,696	\$ 708,192	\$1,177,888
Federal Revenue	189,936	329,044	518,980
County Reimbursements	<u>83,950</u>	<u>160,004</u>	<u>243,954</u>
Total	<u>\$743,582</u>	<u>\$1,197,240</u>	<u>\$1,940,822</u>

Budget

FTE are reduced due to the transfer of 0.16 FTE to the Community Services Division. Personal services rise 0.3 percent because of an increase in benefits from 20.34 percent of salaries in fiscal 1988 to 21.06 percent in fiscal 1990, and 21.15 percent in fiscal 1991.

Operating expenses rise 2.3 percent because of: 1) an increase in legislative audit costs from \$45,600 in fiscal 1989 to \$55,343 in 1990; and 2) an increase of \$26,934 in contracted services. In fiscal 1988, the department transferred \$26,934 of the approximately \$30,000 added by the legislature for secretarial services to the Community Services Division to add an annualized 1.63 FTE secretarial staff to the field offices. The department is requesting full-year funding, or 3.90 FTE, in the 1991 biennium in the Community Services Division at a cost of \$56,684 in fiscal 1990 and \$56,734 in fiscal 1991. To allow for legislative review of this increase, the positions have been deleted in the Community Services Division budget and the original transfer has been reinstated in this division.

Equipment is as requested by the agency and totals \$9,236 in fiscal 1990 and \$8,618 in fiscal 1991.

Funding

The division is funded by a combination of general fund and federal funds. Federal funds are received in four ways: 1) direct funding of all state Aging Program functions by federal aging funds, matched with general fund, totaling \$257,315 in fiscal 1990 and \$257,672 in fiscal 1991; 2) direct federal reimbursement of training costs totaling \$47,703 in fiscal 1990 and \$47,856 in fiscal 1991; 3) federal reimbursement of audit costs totaling \$38,947 in fiscal 1990 and \$39,045 in fiscal 1991; and 4) indirect costs. The actual amount of federal funds received in indirect costs depends on a time study cost allocation system that assesses other programs in the department according to the amount of time staff are involved in specific federally funded programs, and the indirect cost rate negotiated with the federal government. Revenue totals \$160,511 in fiscal 1990 and \$142,633 in fiscal 1991. The decrease in revenue from fiscal 1990 to fiscal 1991 is due to federal participation in the costs of the legislative audit.

In fiscal 1988, the department allocated a portion of reimbursements for administrative costs from the counties to this division. However, beginning in the 1991 biennium, all county reimbursements are included in the Community Services Division which causes the federal funds to decrease 17.8 percent.

COMMUNITY SERVICES DIVISION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	327.02	326.39	332.55	332.55	5.53
Personal Services	\$ 7,389,329	\$ 7,491,314	\$ 7,659,334	\$ 7,690,465	3.15
Operating Expenses	1,022,249	1,060,921	973,162	966,542	(6.89)
Equipment	36,105	46,273	17,562	17,562	(57.36)
Total Operating Costs	\$ 8,447,683	\$ 8,598,508	\$ 8,650,058	\$ 8,674,569	1.63
Non-Operating Costs	15,339,984	15,021,783	15,033,082	15,035,082	(0.97)
Total Expenditures	\$23,787,667	\$23,620,291	\$23,683,140	\$23,709,651	0.03
<u>=====</u>					
Fund Sources					
General Fund	\$13,937,566	\$14,014,460	\$12,959,916	\$12,979,312	(7.20)
State Special	44,894	89,000	51,096	51,096	(23.68)
Federal Revenue	9,805,207	9,516,831	10,672,128	10,679,243	10.50
Total Funds	\$23,787,667	\$23,620,291	\$23,683,140	\$23,709,651	0.03
<u>=====</u>					

Program Description

The Community Services Division provides a variety of social services to children, adults, and senior citizens to ensure their health, welfare, and safety. Services to children include foster care, protective day care, Big Brothers and Sisters, adoption referral and counseling, and coordination of youth court and school programs to reduce instances of delinquency. Services to adults include spouse abuse counseling, services to unmarried parents, health and nutrition programs, and work incentive programs. Services to senior citizens include congregate meals, transportation, funding for senior centers, homemaker services, and legal advocacy. The division is also responsible for administration of the state's supplemental security income payments to eligible recipients.

The original appropriation for this program was composed of the Social Services Division of the Department of Social and Rehabilitation Services, including all state staff and expenditures. All state staff and related expenditures have been transferred to the Management Support Division. In addition, the department transferred the Aftercare and Youth Evaluation Programs to this division. The Aftercare Program provides supervision for adjudicated youth in need of supervision or for juvenile delinquents. The Youth Evaluation Program provides 45 day evaluations of youth aged 10-17 who have been referred by the courts. These evaluations are provided in a less restrictive community environment rather than in an institutional setting such as Pine Hills or Mountain View.

Budget

FTE increase by 5.53 due to the cumulative effect of three factors: 1) 0.16 FTE was transferred to this division from the Management Support Division; 2) 1.63 FTE secretarial staff added in fiscal 1988 were deleted to allow for legislative review; and 3) 7.00 FTE were added in the reorganization of the Aftercare Program as shown in Table 3.

Table 3
Aftercare Program
Fiscal 1988 through Fiscal 1991

	Actual Expenditures FY88	Original Appropriation FY89	Adjusted Appropriation FY89	Current Level FY90	Current Level FY91
FTE	6.0	6.0	13.0	13.0	13.0
Personal Services	\$159,735	\$158,116	\$302,523	\$296,161	\$296,481
Operating Expenses	233,735	243,764	99,357	105,802	105,486
Equipment	16,166	-0-	-0-	-0-	-0-
Total Expenditures	\$409,636 =====	\$401,880 =====	\$401,880 =====	\$401,963 =====	\$401,967 =====
General Fund	\$409,636	\$401,880	\$401,880	\$399,163	\$399,167
Federal Fund	-0-	-0-	-0-	2,800	2,800
Total Funds	\$409,636 =====	\$401,880 =====	\$401,880 =====	\$401,963 =====	\$401,967 =====

In fiscal 1988, aftercare services were provided by field staff and through contracts with four group homes located in Great Falls, Billings, Missoula and Helena. The Department of Family Services has eliminated the group home contracts and added 7.00 FTE to staff a transition center at Billings for youth from Pine Hills School, and an independent living program in Missoula. Total expenses remained the same with this shift in costs.

Personal services in the division budget rise 3.2 percent due to the FTE additions to the Aftercare Program, and to upgrades and higher benefits for field office staff.

Operating expenses decrease 6.9 percent because of the cumulative effect of two factors: 1) a net addition of \$77,748 in fiscal 1990 and \$75,615 in fiscal 1991 for the department's share of expenses for field offices paid by the Department of Social and Rehabilitation Services in fiscal 1988; and 2) the reduction of operating expenses of over \$125,000 due to the reorganization of the Aftercare Program.

Equipment includes the total amount expended in the field offices in fiscal 1988, which would allow the purchase of the first and fourth items on the equipment list. The remainder of equipment purchases in fiscal 1988 were expended in the Aftercare Program, which requested no equipment in the 1991 biennium.

Table 4 shows current level 1991 biennium operating expenditures of each of the components of the Community Services Division.

Table 4
Community Services Division
Fiscal 1990 and 1991

----- Fiscal 1990 -----						
	Regional Staff	WIN Social Workers	Children's Trust	Youth Evaluation	Aftercare	Total
FTE	310.05	4.50	0.00	5.00	13.00	332.55
Personal Services	\$7,163,867	\$101,567	\$ -0-	\$ 97,739	\$296,161	\$7,659,334
Operating Expenses	830,812	1,826	9,626	25,096	105,802	973,162
Equipment	17,562	-0-	-0-	-0-	-0-	17,562
Total Op. Expenses	<u>\$8,012,241</u>	<u>\$103,393</u>	<u>\$9,626</u>	<u>\$122,835</u>	<u>\$401,963</u>	<u>\$8,650,058</u>
General Fund	\$5,221,395	\$ 10,339	\$ -0-	\$122,835	\$399,163	\$5,753,732
State Special	-0-	-0-	9,626	-0-	-0-	9,626
Federal Revenue	2,790,846	93,054	-0-	-0-	2,800	2,886,700
Total Funding	<u>\$8,012,241</u>	<u>\$103,393</u>	<u>\$9,626</u>	<u>\$122,835</u>	<u>\$401,963</u>	<u>\$8,650,058</u>
----- Fiscal 1991 -----						
	Regional Staff	WIN Social Workers	Children's Trust	Youth Evaluation	Aftercare	Total
FTE	310.05	4.50	0.00	5.00	13.00	332.55
Personal Services	\$7,194,044	\$101,909	\$ -0-	\$ 98,031	\$296,481	\$7,690,465
Operating Expenses	824,116	1,826	9,626	25,488	105,486	966,542
Equipment	17,562	-0-	-0-	-0-	-0-	17,562
Total Op. Expenses	<u>\$8,035,722</u>	<u>\$103,735</u>	<u>\$9,626</u>	<u>\$123,519</u>	<u>\$401,967</u>	<u>\$8,674,569</u>
General Fund	\$5,240,694	\$ 10,374	\$ -0-	\$123,519	\$399,167	\$5,773,754
State Special	-0-	-0-	9,626	-0-	-0-	9,626
Federal Revenue	2,795,028	93,361	-0-	-0-	2,800	2,891,189
Total Funding	<u>\$8,035,722</u>	<u>\$103,735</u>	<u>\$9,626</u>	<u>\$123,519</u>	<u>\$401,967</u>	<u>\$8,674,569</u>

Funding

Funding for regional staff is a combination of general fund and federal revenue. Federal revenue is received in three ways: 1) a flat grant of social services IV-B funds from the Department of Health and Human Services of \$755,582 each year; 2) the time study cost allocation system, whereby federal foster care IV-E, medicaid, and day care IV-A funds are collected based upon the amount of time staff spends in related activities totaling \$1,158,305 in fiscal 1990 and \$1,162,487 in fiscal 1991; and 3) reimbursements from counties. County

funds are frozen at the actual fiscal 1987 level of contribution, or \$876,959 each year. General fund totaled \$6,201,040 in fiscal 1988, and decreases 7.2 percent in fiscal 1990 because of: 1) an increase in county funds over the fiscal 1988 level; 2) an allocation of county contributions to this program, rather than split with the Management Support Division; and 3) a change in the total federal allocation available.

All Work Incentive (WIN) social workers are funded 90/10 federal funds/general fund.

Children's trust fund administrative costs are funded with income from the Children's Trust Fund.

The Aftercare Program is funded with general fund and \$2,800 of interest and income each year, while the Youth Evaluation Program is 100 percent general funded.

Benefits

Non-operating expenses consist of a variety of benefit programs administered by the department. Table 5 shows actual fiscal 1988, appropriated fiscal 1989, and current level 1991 biennium expenditures for each of the benefit programs of the division.

Table 5
Community Services Division - Benefits
Fiscal 1988 through 1991

	Actual Fiscal 1988	Appropriated Fiscal 1989	Fiscal 1990	Fiscal 1991
West Yellowstone	\$ 7,150	\$ 7,150	\$ 5,362	\$ 5,362
Home Health	15,000	15,047	15,000	15,000
Child Abuse	56,258	81,617	83,731	83,731
Domestic Violence	135,239	135,700	89,868	89,868
Federal Grants	49,114	50,000	50,000	50,000
Subsidized Adoption	217,569*	175,531	199,505	199,505
Big Brothers and Sisters	162,564	162,570	110,500	110,500
Refugee	218,473	200,000	150,000	150,000
Alcohol and Drug	180,878	205,000	204,667	206,667
Day Care	576,873	418,761	576,873	576,873
Day Care Fed. Grants	56,367	-0-	50,000	50,000
SSI	838,250	919,790	838,250	838,250
Aging	4,523,237	4,574,744	4,630,983	4,630,983
Foster Care	8,267,743	7,986,873	7,986,873	7,986,873
Children's Trust	35,269	89,000**	41,470	41,470
Total	<u>\$15,339,984</u>	<u>\$15,021,783</u>	<u>\$15,033,082</u>	<u>\$15,035,082</u>

* Includes \$18,064 of fiscal 1989 expenditures inadvertently coded to fiscal 1988 year end. Actual expenditures total \$199,505.

**Includes \$14,000 in operating expenses.

West Yellowstone - Services provided under this grant include social services to the West Yellowstone community where there is no full time department employee. Funding consists of general fund and is maintained at the fiscal 1988 level. Fiscal 1988 and 1989 include the required local match of \$1,788. These funds do not require an appropriation and, therefore, are not requested in the 1991 biennium.

Home Health - This general fund grant provides homemaker services to Lewis and Clark County. Lewis and Clark County has to provide a \$15,000 match for these funds.

Child Abuse - This is a 100 percent federally funded program. Funds are used to contract for education and information dissemination about physical and sexual abuse of children. Funding was set according to the amount of federal funds anticipated to be available, or \$83,731 each year.

Domestic Violence - This program provides protection and counseling services to abused spouses. Services are provided through contracts with local agencies for safe homes, a 24-hour crisis line, and public awareness and education programs. Of the \$30 marriage license fee, \$14 is deposited to the general fund and offsets the expenses of the program. However, the fee is not sufficient to fully fund the program, as shown in Table 5.

Table 5
Marriage License Fees - Domestic Violence Expenditures
Fiscal 1985 through 1991

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Domestic Violence Expend	\$130,862	\$131,404	\$150,742	\$135,239	\$135,700	\$89,868	\$89,868
Marriage License Fees	<u>106,111</u>	<u>99,626</u>	<u>94,152</u>	<u>89,868</u>	<u>89,868</u>	<u>89,868</u>	<u>89,868</u>
Difference	<u>\$(24,551)</u>	<u>\$(31,778)</u>	<u>\$(56,590)</u>	<u>\$(45,371)</u>	<u>\$(45,832)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

As shown in the table, marriage license fees are declining as expenditures of the program have stabilized. The 1987 legislature appropriated \$135,700 of general fund to this program each year of the 1989 biennium, with the additional funds to be offset by a \$5 increase in the marriage license fee. However, the fee was not changed. Therefore, current level restores funding to the level anticipated from the current marriage license fee, or \$89,868 each year.

The 1987 legislature earmarked two additional state special revenue sources for this program: 1) 1 percent of Justice Court fines, penalties, forfeitures and fees; and 2) 50 percent of fines imposed for domestic abuse, except for those collected by a justice court. Revenue collected from these sources in fiscal 1988 was \$34,869. However, the department was not given authority to expend these funds and they are not included in current level.

Subsidized Adoption - This program is designed to assist families in adopting children with special needs such as physical or mental handicaps, or in adoption of sibling groups. The actual amount of the subsidy paid to the family varies according to the severity of the disability and the financial resources of the

family. If the child is eligible for federal participation under Title IV-E, funding for the program is shared at the same federal matching rate as medicaid. If the child is not IV-E eligible, the cost is 100 percent general fund. The following table shows fiscal 1986, 1987, and 1988 expenditures, by type of eligibility.

Table 6
Subsidized Adoption
Fiscal 1986 through 1988

<u>Non IV-E</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>
Clients	32	30	31
General Fund	\$ 73,099	\$ 60,215	\$ 68,920
Federal Funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Non IV-E	<u>\$ 73,099</u>	<u>\$ 60,215</u>	<u>\$ 68,920</u>
<u>IV-E</u>			
Clients	38	47	57
General Fund	\$ 25,514	\$ 30,003	\$ 40,718
Federal Funds	<u>49,307</u>	<u>61,659</u>	<u>89,867</u>
Total IV-E	<u>\$ 74,821</u>	<u>\$ 91,662</u>	<u>\$130,585</u>
<u>Total Program</u>			
Clients	70	77	88
General Fund	\$ 98,613	\$ 90,218	\$109,638
Federal Funds	<u>49,307</u>	<u>61,659</u>	<u>89,867</u>
Total Cost	<u>\$147,920</u>	<u>\$151,877</u>	<u>\$199,505</u>

The department was directed by the 1987 legislature to continue the policy begun by the Department of Social and Rehabilitation Services of only accepting IV-E eligible children as new cases. As shown in the table, the growth in the program has taken place among IV-E eligible clients. This growth has reduced the contribution of general fund from 66.7 percent to 54.9 percent of total costs. In the 1991 biennium, funding is maintained at the fiscal 1988 level with the same number of clients and general fund percentage.

Big Brothers and Sisters - Supplementary general fund from the state is provided to county Big Brothers and Sisters Programs, which provide services to youth in need of an appropriate adult role model. The 1987 legislature tied funding of this program to revenues received from \$30 of the \$100 marriage dissolution fee. Funding is set at the anticipated level of revenue to the general fund, or \$110,500 per year.

Refugee - Federal refugee funds provide a variety of services for Indo-Chinese refugees, including unaccompanied minor services through Lutheran Social Services. Funding is set at the anticipated level of federal funds, or \$150,000 per year. The department received one-time refugee stabilization funds in fiscal 1988.

Alcohol and Drug Program - This program provides residential alcohol and drug treatment for indigent youth. Eligibility is set by department rule. A youth must meet AFDC income standards, be an adjudicated delinquent, be determined by a certified alcohol counselor as in need of treatment, and be placed in a treatment program approved by the Department of Institutions. The department reimburses treatment providers \$110 per day for a maximum of 40 days per youth. Funding is provided by a tax of \$0.30 per barrel of beer sold. Funding in the 1991 biennium is the anticipated tax revenue to the general fund, or \$204,667 in fiscal 1990 and \$206,667 in fiscal 1991.

Day Care - Day care is provided to youth and adults identified as abused or neglected as a protective service. Care is provided in either a family home, group home, or day care center. Based on client eligibility, funding is either 100 percent general fund, 100 percent federal funds in the case of refugee clients, or general fund with federal IV-A funding at the medicaid reimbursement rate for all AFDC eligible clients. The following table shows days of care by client eligibility and total expenditures in fiscal 1986, 1987, and 1988.

Table 7
Day Care
Fiscal 1986 through 1988

Days of Care	FY86	Percent of Total	FY87	Percent of Total	FY88	Percent of Total	Percent Increase FY86-FY88
Non-AFDC	21,950	50.2	22,953	40.1	26,599	39.0	21.2
AFDC	19,956	45.7	33,300	58.2	41,623	61.0	108.6
Refugee	<u>1,801</u>	<u>4.1</u>	<u>944</u>	<u>1.7</u>	<u>-0-</u>	<u>--</u>	<u>--</u>
Total Days	<u>43,707</u>	<u>100.0</u>	<u>57,197</u>	<u>100.0</u>	<u>68,222</u>	<u>100.0</u>	<u>56.1</u>
Funding							
General Fund	\$261,988	67.2	\$299,756	59.9	\$338,419	58.7	29.2
Federal Fund	<u>128,115</u>	<u>32.8</u>	<u>201,062</u>	<u>40.1</u>	<u>238,454</u>	<u>41.3</u>	<u>86.1</u>
Total Cost	<u>\$390,103</u>	<u>100.0</u>	<u>\$500,818</u>	<u>100.0</u>	<u>\$576,873</u>	<u>100.0</u>	<u>47.9</u>

Total expenditures for day care increased 47.9 percent and days of care increased 56.1 percent between fiscal 1986 and fiscal 1988. At the same time, the percentage of general fund participation decreased from 67.2 percent to 58.7 percent due to a greater increase in the number of AFDC days of care to non-AFDC days of care.

Current level is included at the actual fiscal 1988 level of \$576,873 each year, of which \$338,419 is general fund. The program received a federal grant for dependent care planning and development totaling \$56,367 in fiscal 1988. The grant is expected to be \$50,000 each year of the 1991 biennium for a total of \$627,255 per fiscal year.

Supplemental Security Income - Supplemental security income (SSI) is provided to federal SSI benefit recipients residing in certain licensed facilities to provide a supplementary income to their normal federal SSI payments. The primary purpose of the payment is to help residents remain in the least restrictive environment possible. Payments are made based upon the type of facility the individual resides in, either personal care facilities, community homes for the developmentally disabled, foster care homes, or semi-independent living facilities, and are set by administrative rule. Table 8 shows the total reimbursement by type of facility, and the average number of persons receiving the payment in fiscal 1988.

Table 8
Supplemental Security Income Payments
Fiscal 1988

<u>Facility</u>	<u>Maximum Monthly Payment</u>	<u>Approximate Average Number Receiving Payment</u>
Personal Care Homes	\$94.00	97
Mental Health Group Homes	94.00	45
DD Group Homes	94.00	558
Children and Adult Foster Care	92.75	150
DD Semi-Independent	26.00	<u>62</u>
Total Receiving Payment		<u>912</u>

Table 9 shows total funding since fiscal 1986, the average monthly number of residents receiving the payments, and the average monthly payment per resident.

Table 9
Supplemental Security Income
Fiscal 1986 through 1988

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>- - Current Level - - Fiscal 1990</u>	<u>Fiscal 1991</u>
Payment	\$819,500	\$855,000	\$838,250	\$838,250	\$838,250
Avg. No. Receiving Payment	<u>882</u>	<u>910</u>	<u>912</u>	<u>912</u>	<u>912</u>
Average Monthly Payment	<u>\$ 77.43</u>	<u>\$ 78.30</u>	<u>\$ 76.59</u>	<u>\$ 76.59</u>	<u>\$ 76.59</u>

Current level maintains the fiscal 1988 average monthly client numbers and mix into the 1991 biennium. Funding is 100 percent general fund and totals \$838,250 each year.

Aging - Aging services include a variety of services designed to enable older Americans to maintain an independent lifestyle and avoid unnecessary institutional care. Services are provided through contracts with eleven regional Area Agencies on Aging (AAA), and include legal advocacy, congregate and home meals, and information and referral services. The following table shows funding of the program in fiscal 1986, 1987, and 1988, as well as current level in the 1991 biennium.

Table 10
Aging Services
Fiscal 1986 through 1991

<u>General Fund</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
State Match	\$ 187,735	\$ 192,449	\$ 192,796	\$ 192,796
Information/Referral	122,445	137,681	137,681	137,681
In-Home Savings	<u>309,414</u>	<u>316,000</u>	<u>316,000</u>	<u>316,000</u>
Total	\$ 619,594	\$ 646,130	\$ 646,477	\$ 646,477
<u>Federal Funds</u>				
IIIC-1 Congregate Meals	\$1,698,117	\$1,654,613	\$1,636,675	\$1,636,675
IIIC-2 In-Home Meals	376,915	352,143	359,474	359,474
IIID In-Home Services (Frail)	-0-	-0-	22,751	22,751
IIIB Social Services	1,257,595	1,264,878	1,258,626	1,258,626
Cash-In-Lieu	470,175	626,980	626,980	626,980
Title IV Training	26,664	30,000	30,000	30,000
Aging Admin. Pass Through	31,884	-0-	50,000	50,000
Budget Amendment	<u>42,293</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$3,903,643</u>	<u>\$3,928,614</u>	<u>\$3,984,506</u>	<u>\$3,984,506</u>
Total Expenditures	<u>\$4,523,237</u>	<u>\$4,574,744</u>	<u>\$4,630,983</u>	<u>\$4,630,983</u>

Federal IIIC congregate and in-home meals, IIIB social services, and IIID frail elderly funds require a 15 percent match, 10 percent of which is provided by local agencies, with the remaining 5 percent provided by general fund through grants. The 1991 biennium level is the agency request and includes the total federal grants anticipated.

Foster Care - Through contracts with providers, foster care provides a continuum of protective services and treatment for youth. Table 11 shows total expenditures of each of the components of the foster care system in fiscal 1984 through fiscal 1988.

Table 11
Foster Care - Expenditures
Fiscal Years 1984 through 1988

<u>Total Expenditures</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88**</u>	<u>FY88 % Total of Expenditures</u>	<u>Percent Rise FY84-88</u>
Foster Family*	\$2,203,026	\$2,560,536	\$2,793,236	\$3,008,784	\$3,311,758	38.00	50.3
Shelter Care	368,316	384,297	478,919	552,107	542,521	6.23	47.3
Group Homes	777,101	814,272	931,458	1,085,459	961,991	11.04	23.8
In-State Treatment	1,482,653	1,564,451	2,488,317	2,715,152	2,942,524	33.77	98.5
Out-State Treatment	438,026	753,089	748,550	961,534	954,854	10.96	118.0
Ind. Living B.A.	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 23,734	--	--
Total	\$5,269,122	\$6,076,645	\$7,440,480	\$8,323,036	\$8,737,382	100.00	65.8
Credits***	355,620	403,978	413,449	398,870	469,639	--	--
Total Expenditures	<u>\$4,913,502</u>	<u>\$5,672,667</u>	<u>\$7,027,031</u>	<u>\$7,924,166</u>	<u>\$8,267,743</u>	--	68.3

* Includes clothing allowance and supplementary services.

** Includes budget amendment of \$274,281 used for standard services. Distribution is an estimate based upon the agency foster care data base expenditures.

*** Includes third-party payments and other offsets to expenditures.

As shown in Table 11, foster care expenditures have risen 68.3 percent since fiscal 1984. Current level for the Foster Care Program in the 1991 biennium is included at the agency requested level of \$7,986,873 each year, which is the fiscal 1989 appropriated level, or \$226,645 below actual fiscal 1988 expenditures. Therefore, either a smaller number of youth will receive services, or fewer days of care in the more expensive services such as treatment will have to be utilized. As shown in Table 11, however, expenditures for in-state and out-of-state treatment have risen faster and consume a higher percentage of total expenditures than any other type of care. The following table shows average cost per day and days of care in fiscal 1988.

Table 12
Foster Care - Days of Care
Fiscal 1988

	Fiscal 1988	Cost/Day
Foster Family	297,844	\$11.12
Shelter Care	20,047	27.06
Group Homes	30,245	31.81
In-State Treatment	48,314	60.90
Out-State Treatment	15,152	63.02
Total	<u>411,602</u>	<u>\$21.17</u>

Funding for the foster care program is a mix of federal, county, and general fund that depends on the financial eligibility and county of origin of the child. The federal government pays a portion of the costs for all AFDC eligible youth with IV-E funds up to the medicaid rate, and 100 percent of all refugee costs with refugee funds. In all counties where the state has assumed responsibility for welfare programs, general fund provides all non-federal costs. For those in non-assumed counties, the county is responsible for not more than 50 percent of non-federal costs. When the Department of Family Services was created in fiscal 1987, a ceiling was placed on county contributions for foster care at the total fiscal 1987 expenditure for each county, or an aggregate of \$1,139,650. Funding in current level is based on an average of county expenditures in fiscal 1987 and 1988, and an increase in the medicaid reimbursement rate. Table 13 shows actual fiscal 1988, appropriated fiscal 1990, and current level fiscal 1990 and 1991 funding.

Table 13
Foster Care - Funding
Fiscal 1988 through Fiscal 1991

	Actual FY86	Actual FY87	Actual FY88*	Approp. FY89	- - Current Level - - FY90	FY91
General Fund	\$4,442,184	\$5,040,562	\$5,337,534	\$4,901,324	\$4,848,003	\$4,845,377
Federal Funds	1,429,245	1,722,714	1,745,780	1,706,156	2,034,462	2,037,088
County Funds	<u>1,155,602</u>	<u>1,160,890</u>	<u>1,184,429</u>	<u>1,379,393</u>	<u>1,104,408</u>	<u>1,104,408</u>
Total	<u>\$7,027,031</u>	<u>\$7,924,166</u>	<u>\$8,267,743</u>	<u>\$7,986,873</u>	<u>\$7,986,873</u>	<u>\$7,986,873</u>

* Actual fiscal year SBAS based on estimated reimbursements.

Rates to Foster Care Providers

The 1987 legislature directed the Department of Family Services to develop a rate structure for shelter care, group homes, and residential treatment foster care providers to provide a more equitable reimbursement for services. Providers had complained of inequities in the rates paid to different providers delivering the same services, and in the overall level of reimbursement in relation to actual costs. A total of \$103,425 was added in fiscal 1988 to provide a 2 percent increase in rates equally distributed to all providers. In fiscal 1989, an additional \$105,494 for a total of \$208,919 was added for a further 2 percent increase to be worked in to the new rate structure. Foster families received no increase.

The Department of Family Services has developed a model rate matrix for implementation in fiscal 1989. The matrix consists of a determination of what four levels of supervision and three levels of treatment should cost per day. Each provider's level of supervision and treatment is determined, and the relevant model rate assigned. In this way, providers delivering the same level of supervision and treatment would ideally receive the same rate per day. Table 14 shows the supervision and treatment rate matrices.

Table 14
Supervision and Treatment Rate Matrices
Fiscal 1989

----- Treatment -----					
	<u>Group Therapeutic Services</u>	<u>Individual Therapeutic Services</u>	<u>Family Services</u>	<u>Medical Services</u>	<u>Total</u>
Coping Skill Services and Training (Basic)	\$ 4.15	--	--	--	\$ 4.15
Social Learning (Intermediate)	11.83	\$ 7.89	--	--	19.72
Therapeutic Milieu (Intensive)	2.71	16.29	\$8.14	\$2.88	30.02
----- Supervision -----					
	<u>Maintenance</u>	<u>Paid Professional Care</u>	<u>Paid Additional FTE/Child</u>	<u>Program Management</u>	<u>Total</u>
Basic Maintenance	\$15.48	--	--	--	\$15.48
Paid Caretaker	15.48	\$21.52	--	--	37.00
Paid Caretaker with Director	15.48	21.52	--	\$ 4.44	41.44
Structured Supervision	15.48	21.52	\$ 8.07	5.88	50.95
Controlled Supervision	15.48	21.52	27.79	22.23	87.02

As shown in Table 14, a facility offering paid caretaker with professional staff, and basic coping skills, has a determined cost of \$41.15 under this model (\$37.00 plus \$4.15).

The Department of Family Services identified three options for applying the matrix system: 1) a benchmark rate, or a percentage of the model rate below which no facility would be paid, and a hold-harmless rate, or a percentage of the model rate over which no facility would be paid. Each facility's rate would be raised to the benchmark or lowered to the hold-harmless, as appropriate. This option was not adopted; 2) the benchmark rate determined using the total foster care appropriation. Over a period of time, each facility's rate would be raised or lowered to the benchmark, as appropriate. This option was not selected; and 3) the total increase for rate adjustments is specified, and given to only those facilities with the greatest discrepancy between rates currently paid and an established model rate. No facility's rate would be lowered. This option was incorporated in fiscal 1989 and six of the 32 facilities paid by the state received increases ranging from \$1.07 to \$8.03 per day. The rates of the remaining facilities were not changed. At the time of this writing, the department was holding rule hearings on the rate matrix and application procedure.

Prior to the increase, rates ranged from 34.8 percent to 100.4 percent of the model rate, with an average of 66.9 percent. After incorporation of the increase, fiscal 1989 rates range from 52.1 percent of the model to 100.4 percent, with an average of 68.6 percent. The difference between the rate paid and the model rate is made up with other sources of revenue specific to the facility, such as donations and other fund raising, or income producing property.

The department has submitted a modified budget request to raise the rates of foster care providers, including foster families, by 1 percent in fiscal 1990 and an additional 1 percent in fiscal 1991. Costs total \$84,547 in fiscal 1990, of which \$62,900 is general fund and \$21,647 is federal funds, and \$171,944 in fiscal 1991, of which \$128,280 is general fund and \$43,664 is federal funds.

Children's Trust - This program funds services and activities operated by nonprofit private or public community-based educational and service organizations, relating solely to the prevention of child abuse and neglect. The program is administered by the Children's Trust Fund Board, which allocates funds and monitors contract performance. Funding is provided by a combination of: 1) \$5 of the \$100 marriage dissolution fee; 2) tax write-off contributions; and 3) other donations. Table 15 shows revenue to and expenditures by the trust since fiscal 1987.

Table 15
Children's Trust Fund
Fiscal 1987 through Fiscal 1991

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89*</u>	<u>FY90</u>	<u>FY91</u>
Beginning Balance	\$ -0-	\$45,943	\$40,374	\$68,692	\$68,692	\$68,692
<u>Revenues</u>						
Misc. Receipts (Marriage Dissolution)	\$28,976	\$20,806	\$23,930	\$89,000	\$23,930	\$23,930
Donations	<u>18,950</u>	<u>25,585</u>	<u>27,166</u>	<u>-0-</u>	<u>27,166</u>	<u>27,166</u>
Total Revenues	\$47,926	\$46,391	\$51,096	\$89,000	\$51,096	\$51,096
<u>Disbursements</u>						
Administration	\$ 1,983	\$ 6,507	\$ 9,625	\$14,000	\$ 9,626	\$ 9,626
Benefits	<u>-0-</u>	<u>46,066</u>	<u>35,269</u>	<u>75,000</u>	<u>41,470</u>	<u>41,470</u>
Total Disbursements	\$ 1,983	\$52,573	\$44,894	\$89,000	\$51,096	\$51,096
Adjustments	\$ -0-	\$ 613	\$22,116	\$ -0-	\$ -0-	\$ -0-
Ending Balance	<u>\$45,943</u>	<u>\$40,374</u>	<u>\$68,692</u>	<u>\$68,692</u>	<u>\$68,692</u>	<u>\$68,692</u>
*Appropriation						

Current level maintains expenditures from the trust fund at the level of anticipated revenue in the 1991 biennium.

MOUNTAIN VIEW SCHOOL

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	67.99	67.49	62.69	62.69	(5.3)
Personal Services	\$1,448,999	\$1,542,845	\$1,433,968	\$1,438,255	(4.00)
Operating Expenses	277,739	336,626	291,905	296,382	(4.25)
Equipment	<u>21,413</u>	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>	<u>(87.71)</u>
Total Expenditures	<u>\$1,748,151</u>	<u>\$1,882,471</u>	<u>\$1,727,373</u>	<u>\$1,736,137</u>	<u>(4.60)</u>
<u>Fund Sources</u>					
General Fund	\$1,631,686	\$1,759,539	\$1,617,414	\$1,626,164	(4.35)
State Special	1,609	14,982	2,669	2,669	(67.82)
Federal Revenue	<u>114,856</u>	<u>107,950</u>	<u>107,290</u>	<u>107,304</u>	<u>(3.69)</u>
Total Funds	<u>\$1,748,151</u>	<u>\$1,882,471</u>	<u>\$1,727,373</u>	<u>\$1,736,137</u>	<u>(4.60)</u>

Program Description

Mountain View School is responsible for the care, education, and rehabilitation of juvenile girls who are committed to the school. The school also contracts with the federal government to care for girls who are in federal custody. The average daily population (ADP) was 53.3 in fiscal 1988, compared with a budgeted level of 70.

Budget

FTE decrease due to the elimination of 4.80 FTE added by the 1987 legislature to open Aspen Cottage if the population reached 70 ADP. ADP was 53.3 and the positions were never hired. Of the resulting vacancy savings, \$65,000 was transferred to the foster care program. In addition, a 0.50 FTE custodial staff added in fiscal 1988 was eliminated, as the school is requesting the position in a modified budget.

With the exception of the 4.80 FTE, which had been requested by the school, personal services are as requested. The decrease in personal services is due to the elimination of the 4.80 FTE and to step changes due to employee turnover. Vacancy savings totals 4.0 percent in the 1991 biennium, compared with an actual rate of 4.6 percent in fiscal 1988, and a budgeted rate of 4.0 percent on non-direct care and 1.0 percent on direct care positions in fiscal 1989.

Operating expenses decrease 4.3 percent due primarily to the elimination of all increased costs appropriated in fiscal 1989 to reopen Aspen Cottage. The increase from fiscal 1988 to fiscal 1990 and 1991 is mainly due to inflation of \$10,298 in fiscal 1990 and \$14,738 in fiscal 1991.

The school used contracted services, travel, and utilities authority to purchase equipment in fiscal 1988. Equipment is included at the 1989 biennium appropriated level of \$3,000, which would allow the purchase of the second and third items on the equipment priority list.

Funding

General fund provides over 93 percent of the school's total funding.

State special revenue consists of canteen funds of \$2,261 each year and donations of \$408, which is the average of fiscal 1984 through fiscal 1988 actual donations.

There are three sources of federal funds: 1) school foods of \$39,318 each year; 2) Chapter I from the Department of Education of \$31,572 fiscal 1990 and \$31,586 in fiscal 1991; and 3) federal boarder reimbursement of \$36,400 each year, which is the average of the fiscal 1984 through fiscal 1988 actual reimbursements.

PINE HILLS SCHOOL

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	119.5	118.77	118.77	118.77	(0.73)
Personal Services	\$2,781,950	\$2,765,573	\$2,689,572	\$2,697,561	(2.89)
Operating Expenses	636,033	690,339	649,283	655,047	(1.66)
Equipment	18,247	2,000	5,309	5,309	(47.56)
Total Expenditures	\$3,436,230	\$3,457,912	\$3,344,164	\$3,357,917	(2.79)
<u>=====</u>					
Fund Sources					
General Fund	\$2,854,536	\$2,872,930	\$2,770,988	\$2,784,280	(3.01)
State Special	47,984	59,260	49,584	49,609	(7.51)
Federal Revenue	533,710	525,722	523,592	524,028	(1.12)
Total Funds	\$3,436,230	\$3,457,912	\$3,344,164	\$3,357,917	(2.79)
<u>=====</u>					

Program Description

Pine Hills School is responsible for the care and custody of juvenile boys aged 10 to 21 who have been committed to the institution. The school was budgeted for an average daily population (ADP) of 130 in fiscal 1988. Actual ADP was 129.

Budget

FTE was reduced due to the elimination of 0.73 FTE added by budget amendment in fiscal 1988.

Personal services in the 1991 biennium are as requested by the school, and include vacancy savings of 4.0 percent each year. Actual vacancy savings was 2.1 percent in fiscal 1988, while budgeted vacancy savings was 4.0 percent on non-direct care and 1.7 percent on direct care positions in fiscal 1989.

Operating expenses are as requested, and rise from fiscal 1988 to fiscal 1990 as a net result of inflation of \$28,879 in fiscal 1990 and \$41,554 in fiscal 1991, and a reduction in utilities due to a new temperature monitoring system.

The school used other expenses and supplies and materials authority to purchase equipment in fiscal 1988. Equipment is the average of the fiscal 1986, 1987, and 1988 appropriations, and would allow the purchase of the first three items on the equipment priority list.

Funding

General fund provides approximately 83 percent of the school's funding.

State special revenue consists of three funds: 1) canteen funds of \$17,502 each year; 2) donations of \$2,500 each year; and 3) alcohol tax funds of \$29,582 in fiscal 1990, and \$29,607 in fiscal 1991, which fund a substance abuse counselor.

Federal revenue consists of four funds: 1) school foods of \$106,000 each year; 2) Chapter I funds from the Department of Education of \$88,510 in fiscal 1991, and \$88,946 in fiscal 1991; 3) boarder reimbursement of \$59,082 each year; and 4) interest and income from various state lands of \$270,000 each year.

MONTANA ARTS COUNCIL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	7.97	\$247,997	\$1,162,768
LFA Current Level	6.84	211,220	987,610
Executive Over (Under) LFA	<u>1.13</u>	<u>\$ 36,777</u>	<u>\$ 175,158</u>

The executive budget is higher than LFA current level by \$36,777 in general fund and \$175,158 in total funds. The major differences occur from four factors: 1) vacancy savings calculation; 2) coal tax appropriation made by the Long-Range Building Committee included in the executive budget; 3) the executive increasing honorariums; and 4) modified budget requests.

ISSUE 1: VACANCY SAVINGS CALCULATION

The executive budget applied 2 percent vacancy savings to the Arts Council. LFA current level did not apply any vacancy savings for the agency because of the small number of staff. This results in the executive budget being \$7,526 lower than LFA current level.

ISSUE 2: COAL TAX APPROPRIATION

The executive budget contains \$63,028 and 1.13 FTE of coal tax funds appropriated by the Long-Range Building Committee. LFA current level does not include these funds because they are not part of the agency appropriation in the general appropriation bill.

ISSUE 3: INCREASED HONORARIUMS

The executive budget increased honorariums \$39,284 for the biennium. LFA current level left this category at the fiscal 1988 level.

ISSUE 4: MODIFIED BUDGET REQUESTS

A modified budget request of \$4,800 is included in the executive budget for the Arts Council to contract for legal fees. This request is to be funded by \$2,400 from general fund and \$2,400 from coal tax park acquisition funds. The executive budget also includes a modified request of \$74,208 federal funds for grants.

MONTANA ARTS COUNCIL

<u>Budget Item</u>	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	- - - Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	6.84	6.86	6.84	6.84	0.00
Personal Services	\$165,544	\$174,667	\$170,149	\$170,408	0.10
Operating Expenses	170,721	186,161	173,043	159,843	(6.72)
Equipment	306	-0-	3,005	-0-	882.03
Total Operating Costs	\$336,571	\$360,828	\$346,197	\$330,251	(3.00)
Non-Operating Costs	205,581	160,703	155,581	155,581	(15.05)
Total Expenditures	\$542,152 =====	\$521,531 =====	\$501,778 =====	\$485,832 =====	(7.15) =====
<u>Fund Sources</u>					
General Fund	\$124,904	\$120,154	\$109,496	\$101,724	(13.81)
Federal Revenue	417,248	401,377	392,282	384,108	(5.16)
Total Funds	\$542,152 =====	\$521,531 =====	\$501,778 =====	\$485,832 =====	(7.15) =====

Program Description

The Montana Arts Council was created by the legislature in 1967 in recognition of the increasing importance of art in the lives of Montanans, of the need to provide the opportunity for young people to participate in the arts and contribute to the cultural heritage of Montana, and of the growing significance of the arts as an element which makes living and vacationing in Montana desirable. The responsibilities of the council are to encourage the study and presentation of the arts, to foster public interest in our cultural heritage and resources, and to encourage and assist in freedom of artistic expression. The grant activity administered by the Montana Arts Council includes: 1) community art projects; 2) those projects initiated from either the council or by the grant recipient; and 3) projects funded by the cultural and aesthetic project funds and approved by the legislature. The council also administers special projects which include the Artists-in-Schools Program (AIS), community arts, special project administration, and Montana Folklife Project.

Budget

The overall budget decreases by approximately 7.1 percent. Personal services remain at approximately the same level with a very slight increase of 0.1 percent. The personal services budget provides funding for 6.84 FTE of the total 8.97 FTE of the agency. The other 1.13 FTE are funded by a cultural and aesthetic grant from the coal tax acquisition trust funds. There was no vacancy savings applied because of the small number of staff in the agency.

Operating expenses decrease by 6.7 percent, reflecting a decrease in honorarium expenditures from fiscal 1989 to both years of the 1991 biennium.

These expenditures were budgeted at \$105,000 in both fiscal years of the 1989 biennium; however, the actual expenditures in fiscal 1988 were \$75,972, which is the current level included in both years of the 1991 biennium. Expenditures were increased for audit costs, insurance, payroll fees, and SBAS on-line entry and edit costs.

The equipment budget is at the agency request and includes a personal computer, printer, and related equipment for the accounting clerk to implement the SBAS on-line entry and edit system.

Non-operating costs are grants provided to local communities for art projects. The grants shown in the main table are only the grants from the funds that were directly appropriated to the agency. The cultural and aesthetic grant fund provided another \$360,000 in grants to local communities in fiscal 1988. These costs decrease by 15.1 percent because a budget amendment of \$50,000 in fiscal 1988 was deleted.

Funding

The Arts Council receives a portion of its funding from the general fund. Current level projects \$109,496 and \$101,724 from general fund for fiscal 1990 and fiscal 1991, respectively.

Federal funds from the National Endowment Grants provide approximately 80 percent of the current level funding for the council. The federal funds are based on the agency's estimate.

In addition to the general fund and federal funds, the council also receives approximately \$20,000 from 1 percent of new construction costs as approved by the long range building committee, Section 22-2-401, MCA, and also funds appropriated by the long range building committee for cultural and aesthetic projects from the coal tax park acquisition funds. These are estimated to be \$1.3 million for the 1991 biennium and are not included in this analysis because they are included with the appropriation requests of the long-range building committee.

MONTANA STATE LIBRARY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	28.00	\$1,139,626	\$3,994,274
LFA Current Level	<u>24.50</u>	<u>1,068,739</u>	<u>3,485,563</u>
Executive Over (Under) LFA	<u><u>3.50</u></u>	<u><u>\$ 70,887</u></u>	<u><u>\$ 508,711</u></u>

The executive budget is \$70,887 higher than LFA current level in general fund and \$508,711 higher in total funds. The following issues reflect the major differences between the executive and LFA current level.

ISSUE 1: NATURAL HERITAGE PROGRAM

The executive budget includes 2.50 FTE and \$457,712 in expected statutory appropriation to the Natural Heritage Program. Since this is statutorily appropriated in Section 90-15-103, MCA, it is not included in LFA current level.

ISSUE 2: EQUIPMENT

The executive budget is \$18,413 less than LFA current level for equipment. LFA current level was based on the agency request and was within the three-year average for equipment expenditures for fiscal 1986 through 1988.

ISSUE 3: OPERATING EXPENSES

Table A shows the difference in operating expenses between the executive budget and LFA current level.

Table A
Major Differences in Operating Expenses

<u>Differences</u>	<u>Executive Over/Under Current Level</u>
1. Vacancy Savings Calculation	\$ 3,700
2. Increased Contracts with Non-Profits	19,814
3. Data Processing Supplies	<u>7,000</u>
Total Operating Expenses Difference	<u><u>\$30,514</u></u>

Vacancy Savings - The executive budget applied a 2 percent vacancy savings to the agency budget. LFA current level used a 2.3 percent rate which was the actual experience for fiscal 1988.

Contract Services - The executive budget increased contracts with non-profit organizations.

Data Processing Supplies - The executive budget included \$7,000 for data processing supplies. There were no expenditures for data processing supplies in fiscal 1988 and this cost increase is not in LFA current level.

ISSUE 4: MODIFIED BUDGET REQUESTS

The executive budget includes \$31,219 from general fund for a modified request for one additional FTE to meet increased workload in the blind and handicapped program, and \$3,750 general fund in fiscal 1990 only for cases to store maps which are received through the federal documents depository program.

MONTANA STATE LIBRARY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	25.50	25.50	24.71	24.50	(0.79)
Personal Services	\$ 595,163	\$ 600,812	\$ 570,730	\$ 566,704	(4.89)
Operating Expenses	317,454	317,070	326,946	307,243	(0.05)
Equipment	108,501	95,014	109,188	100,290	2.93
Total Operating Costs	\$1,021,118	\$1,012,896	\$1,006,864	\$ 974,237	(2.60)
Non-Operating	442,580	538,876	762,308	742,154	53.29
Total Expenditures	<u>\$1,463,698</u>	<u>\$1,551,772</u>	<u>\$1,769,172</u>	<u>\$1,716,391</u>	<u>15.59</u>
Fund Sources					
General Fund	\$ 541,213	\$ 520,687	\$ 552,338	\$ 516,401	0.64
State Special	298,986	311,000	203,720	183,168	(36.57)
Federal Revenue	623,499	720,085	1,013,114	1,016,822	51.08
Total Funds	<u>\$1,463,698</u>	<u>\$1,551,772</u>	<u>\$1,769,172</u>	<u>\$1,716,391</u>	<u>15.59</u>

Program Description

The Montana State Library provides direct library services to state government agencies, to persons residing in state institutions, and to blind and physically handicapped residents of Montana. Indirect services are provided to all public libraries through grants to six regional library federations. The State Library serves as a partial federal depository and also collects state publications.

Budget

The budget increases overall by 15.6 percent, all of it being grants or non-operating expenses. FTE declines by 0.79 and personal services decrease by 4.9 percent which reflects the reduction for the loss of the Kellogg Foundation funds. Operating expenses are at the 1989 biennium appropriated level with adjustments for inflation, audit costs, insurance, payroll fees, and postage increases, with an offsetting reduction for the operating costs associated with the reduction of the Kellogg Foundation funds.

The equipment budget is the agency's request and is within the three-year average of the appropriated equipment budgets for fiscal years 1986 through 1988.

Non-operating expenses are the grants made to the six regional library federations in the state. The non-operating costs increase 53.3 percent reflecting the increase in Title II Library Construction Grants of approximately \$275,000 and Title III Interlibrary Cooperation and Resource Sharing Grants of approximately \$100,000 per fiscal year over the fiscal 1988 actual expenditures. Title I Library

Services Grants also increase approximately \$50,000 each year. These increases are partially offset by the decrease in the coal tax interest of approximately \$100,000 in fiscal 1990 and \$130,000 in fiscal 1991 as compared to fiscal 1988 actual expenditures for grants.

Funding

The general fund provides funding for the operating costs of the agency. There is an increase of approximately 0.6 percent in the general fund reflecting a decrease in the coal tax funding.

The state special fund, which is coal tax interest, is anticipated to decrease by 36.6 percent which reflects the drop in the tax rate.

Federal funds are made up of Title I Library Services Grants, Title II Library Construction Grants, and Title III Interlibrary Cooperation and Resource Sharing Grants. These funds are anticipated to increase 51.1 percent in the 1991 biennium with the largest increase being in the Library Construction Grants.

The federal government requires a "maintenance-of-effort" level of state funds that are utilized by the State Library. The Federal Register 770.30(B) states as follows:

Not less than the total amount actually expended from state and local sources for services provided under a library services grant during the second year preceding the year covered by the annual program.

Table 1 shows the state funding for fiscal years 1988, 1990, and 1991. State funding for both fiscal years 1990 and 1991 will be above the fiscal 1988 actual which meets the maintenance-of-effort requirement.

Table 1
Montana State Library - Level of State Funding
Fiscal 1988 through Fiscal 1991

	<u>Fiscal 1988</u> <u>Actual</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
State Funding			
General Fund	\$ 541,213	\$ 552,338	\$ 516,401
State Special	298,986	203,720	183,168
State Grants*	<u>299,535</u>	<u>447,962</u>	<u>452,121</u>
 Total	 <u>\$1,139,734</u>	 <u>\$1,204,020</u>	 <u>\$1,151,690</u>

*See Table 4

Table 2 shows the funding sources for operating and non-operating costs by fiscal year for the 1991 biennium.

Table 2
Montana State Library - Reference and Information Program
Funding 1991 Biennium

<u>Fiscal 1990</u>	<u>General Fund</u>	<u>Coal Tax</u>	<u>Title I</u>	<u>Title II</u>	<u>Title III</u>	<u>Kellogg</u>	<u>Misc. Reimb.</u>
Administration	\$552,338	\$ 74,388	\$371,000	\$ -0-	\$ -0-	\$7,138	\$2,000
Grants	<u>-0-</u>	<u>129,332</u>	<u>95,912</u>	<u>388,439</u>	<u>148,625</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$552,338</u> =====	<u>\$203,720</u> =====	<u>\$466,912</u> =====	<u>\$388,439</u> =====	<u>\$148,625</u> =====	<u>\$7,138</u> =====	<u>\$2,000</u> =====
<u>Fiscal 1991</u>							
Administration	\$519,580	\$ 81,657	\$371,000	\$ -0-	\$ -0-	\$ -0-	\$2,000
Grants	<u>-0-</u>	<u>98,332</u>	<u>100,878</u>	<u>392,461</u>	<u>150,483</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$519,580</u> =====	<u>\$179,989</u> =====	<u>\$471,878</u> =====	<u>\$392,461</u> =====	<u>\$150,483</u> =====	<u>\$ -0-</u> =====	<u>\$2,000</u> =====

Natural Heritage Program

The Natural Heritage Program was transferred to the library from the Department of Administration by House Bill 860. House Bill 860 gave the responsibility for the Natural Heritage Program and the Natural Resources Information System (NRIS) to the library. The NRIS is a centrally located catalog, index, and referral system to existing natural resource data files and reports. This system permits the government and private sector users to readily identify the location, source, and types of information available in the state agency files. The Natural Heritage Program provides a systematic inventory and evaluation of the state's natural features that are rare, endangered, or fragile.

This program will be entirely funded by statutory appropriations through Section 90-15-103, MCA and with administrative appropriations for grants received from other state agencies. Since these funds are either appropriated in statute or appropriated to other agencies to be granted to the State Library, they are not included in the general appropriations bill. Table 3 shows the anticipated expenditures for fiscal years 1989 through 1991 as well as the fiscal 1988 actual expenditures.

Table 3
State Library Natural Heritage Program
1991 Biennium

Budget Item	Actual	Anticipated		
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991
F.T.E.	2.00	4.00	4.00	4.00
Personal Services	\$103,635	\$147,568	\$145,914	\$150,870
Operating Expenses	177,632	333,693	217,022	216,228
Equipment	24,842	56,460	23,223	23,223
Total Operating Costs	\$306,109	\$537,721	\$386,159	\$390,321
Non-Operating Costs	-0-	66,950	61,803	61,800
Total Expenditures	\$306,109 =====	\$604,671 =====	\$447,962 =====	\$452,121 =====
Fund Sources				
State Special	\$299,535	\$573,807	\$432,962	\$437,121
Federal Revenue	6,574	30,864	15,000	15,000
Total Funds	\$306,109 =====	\$604,671 =====	\$447,962 =====	\$452,121 =====

Table 4 shows the anticipated sources of funding for the program in the 1991 biennium.

Table 4
State Library Natural Heritage Program - Anticipated Funding
1991 Biennium

Fund Sources	Fiscal 1990	Fiscal 1991
DHES Superfund Grant	\$176,776	\$180,936
DNRC Resource Development Grants	99,628	99,628
DNRC Water Development Grant	22,755	22,755
DNRC Reclamation and Development Grant	98,803	98,802
FW&P License Funds Grant	25,000	25,000
DSL Surface Mining Fund Grant	10,000	10,000
FW&P BPA Grant	15,000	15,000
Total Funds	\$447,962 =====	\$452,121 =====

HISTORICAL SOCIETY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	48.78	\$2,329,667	\$4,908,388
LFA Current Level	44.88	2,233,776	4,475,575
Executive Over (Under) LFA	<u>3.9</u>	<u>\$ 95,891</u>	<u>\$ 432,813</u>

The major differences in the executive budget and LFA current level are in four areas: 1) calculation of vacancy savings; 2) expenditures from the accommodations tax; 3) differences in operating costs; and 4) modified budget requests.

ISSUE 1: CALCULATION OF VACANCY SAVINGS

The executive budget is \$50,910 higher than LFA current level because the executive budget applied an overall vacancy savings rate of 1.8 percent while current level applied 4 percent. The actual vacancy savings for the Historical Society for fiscal 1988 was 4.1 percent.

ISSUE 2: EXPENDITURES FROM ACCOMMODATIONS TAX

The executive budget includes \$94,798 from the new accommodations tax which the Historical Society plans to use for the 1.50 FTE in the Capitol Tour Guides Program and for two annual workshops. The LFA current level does not include these expenditures and raises the issue of the appropriateness of the use of these funds for the purposes intended because Section 15-65-121, MCA, states that the tax is to be used for the installation or maintenance of roadside historical signs and historical sites.

ISSUE 3: DIFFERENCES IN OPERATING COSTS

Table A shows the differences between the executive budget and the LFA current level operating costs for the Historical Society.

The executive budget converts contracted janitorial and tour guide services at the Old Governor's Mansion to FTE. This request involves a reduction of current level contract costs and establishes a like amount in personal services. This would add 0.40 FTE.

Table A
Operating Cost Differences - Executive Budget and LFA Current Level

	Executive Over/Under Current Level
Personal Services Difference	\$12,572
Equipment Budget	<u>13,221</u>
Total	<u>\$25,793</u>

Personal Services - A library services manager position grade 16 was transferred to the Administration Program and the position was reclassified to a career executive assignment position at a grade 18. The executive budget funds this upgrade but LFA current level maintains the position at a grade 12.

Equipment - The LFA current level set the equipment budget at the three-year average expenditure levels for fiscal 1986 through fiscal 1988. This produced a budget level that was \$13,221 less than the executive budget, excluding the \$66,204 equipment budget for modified requests.

ISSUE 4: MODIFIED BUDGET REQUESTS

Table B shows the modified budget requests included in the executive budget.

Table B
Modified Budget Requests Included in the Executive Budget

		- - - - 1991 Biennium - - - -	
	FTE	General Fund	Other Funds
1. History Conferences	0.00	\$ -0-	\$20,000
2. Printed Curriculum Resources for Schools	0.00	-0-	8,515
3. Northwest Rendezvous Lecture	0.00	-0-	5,500
4. Three Microfilm Reader/Printers	0.00	18,000	-0-
5. Archives Photocopier	0.00	5,200	-0-
6. Consultant - Archives Automation	0.00	-0-	50,000
7. Microcomputer	0.00	-0-	10,000
8. Photograph Cataloger	0.50	-0-	40,000
9. Renovation - Old Governor's Mansion	0.00	-0-	18,000
10. One FTE for Identification, Evaluation, and Analysis of Historic Sites	<u>1.00</u>	<u>-0-</u>	<u>77,459</u>
Total Modified Requests	<u>1.50</u>	<u>\$23,200</u>	<u>\$229,474</u>

History Conference - This is a request to spend donated funds to support a three-day historical conference each fiscal year of the 1991 biennium.

Printed Curriculum Resources for Schools - The agency is requesting to spend donated funds to print a series of curriculum resources for use in Montana schools.

Northwest Rendezvous Lecture - The Historical Society will sponsor a lecture each year of the biennium. The lectures are associated with the Northwest Rendezvous of Western Art. Funding would come from donated funds.

Microfilm Reader/Printers - The society would like to purchase three microfilm reader/printers using general fund.

Archives Photocopier - The Library Program is requesting general fund for the lease, maintenance, and supplies for a photocopy machine.

Consultant - Archives Automation - The Historical Society is requesting authority to spend a grant from Burlington Northern to hire a consultant to do a needs assessment for data processing equipment and software for the Library Program.

Microcomputer - The society is requesting authority to spend funds from a Burlington Northern grant to purchase a microcomputer and software for the Library Program.

Photograph Cataloger - This is a request to hire a grade 13 librarian to catalog photographs. Funding will be provided by a Burlington Northern grant.

Convert Contract Workers - Contract tour guide and janitor services at the Old Governor's Mansion would be converted to FTE with this request.

Renovation of Old Governor's Mansion - This request is to do renovation work such as wrapping pipes, sealing walls, insulation, sheetrock, etc., at the old Governor's Mansion. Funding would be from special donated funds.

Evaluation of Historic Sites - The society wants to hire an individual with credentials in history, archaeology, and historic architecture for evaluation, identification, and analysis of significant historic sites. This would be funded with federal funds.

HISTORICAL SOCIETY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	48.88	48.88	44.88	44.88	(4.00)
Personal Services	\$1,158,385	\$1,172,405	\$1,103,319	\$1,106,076	(5.21)
Operating Expenses	776,112	844,323	730,233	715,290	(10.79)
Equipment	17,772	9,900	20,268	17,749	37.38
Total Operating Costs	\$1,952,269	\$2,026,628	\$1,853,820	\$1,839,115	(7.19)
Non-Operating Costs	124,408	651,320	391,320	391,320	0.89
Total Expenditures	<u>\$2,076,677</u>	<u>\$2,677,948</u>	<u>\$2,245,140</u>	<u>\$2,230,435</u>	<u>(5.87)</u>
Fund Sources					
General Fund	\$1,098,362	\$1,111,737	\$1,124,049	\$1,109,727	1.07
State Special	44,643	-0-	-0-	-0-	(100.00)
Federal Revenue	504,636	1,045,211	682,950	684,650	(11.76)
Other	429,036	521,000	438,141	436,058	(7.98)
Total Funds	<u>\$2,076,677</u>	<u>\$2,677,948</u>	<u>\$2,245,140</u>	<u>\$2,230,435</u>	<u>(5.87)</u>

Program Description

The Montana Historical Society was established in 1865. Its purpose is to acquire, preserve, and protect historical records, art archival and museum objects, historical places, and sites and monuments for use and enjoyment by the citizens of Montana.

Budget

The current level for the Montana Historical Society budget decreases by 5.9 percent. The major reasons for the decrease occur in the Museum Program with the reduction in the federal funds for the museum renovation and the Library Program with the reduction of the cultural and aesthetic grant.

Funding

The general fund increases slightly in the 1991 biennium. This increase is in the Administration Program.

State special revenue in fiscal 1988 is a grant from the Montana Arts Council from the Cultural and Aesthetic Fund. This grant was made via House Bill 4 in the 1987 session and was a biennium appropriation in the amount of \$95,000 for the Oral History Project. It was a one-time grant and, therefore, not continued in the 1991 biennium.

The federal funds show a decrease of 11.8 percent which reflects the reduction of the funds utilized in the Museum Program for the museum renovations in fiscal 1988.

Other revenues are the proprietary funds in the Publications Program.

For informational purposes Table 1 is presented to show the cash position of the donations received by the Historical Society. This table shows the projected fund balance anticipated at the end of fiscal 1991. Revenue projections are those included in the agency's budget request.

Table 1
Montana Historical Society Donation Fund Account

<u>Funds Available</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Beginning Balance	\$146,155	\$ 49,006	\$171,884	\$292,935
Revenues	<u>56,957</u>	<u>207,200</u>	<u>208,300</u>	<u>208,300</u>
Total Funds Available	\$203,112	\$256,206	\$380,184	\$501,235
<u>Disbursements</u>				
Administration Program	\$ 75,643	\$ 81,122	\$ 84,049	\$ 86,041
Library Program	19,120	3,200	3,200	3,200
Museum Program	<u>14,339</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Disbursements	\$109,102	\$ 84,322	\$ 87,249	\$ 86,241
Adjustments	<u>(45,004)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Ending Balance	<u><u>\$ 49,006</u></u>	<u><u>\$171,884</u></u>	<u><u>\$292,935</u></u>	<u><u>\$414,994</u></u>

ADMINISTRATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	12.88	12.88	13.88	13.88	1.00
Personal Services	\$309,732	\$317,445	\$347,321	\$348,071	10.88
Operating Expenses	230,936	227,383	251,634	\$238,692	6.98
Equipment	-0-	-0-	500	500	100.00
Total Expenditures	<u>\$540,668</u>	<u>\$544,828</u>	<u>\$599,455</u>	<u>\$587,263</u>	<u>9.32</u>
Fund Sources					
General Fund	\$425,392	\$431,418	\$483,223	\$472,020	11.49
Federal Revenue	<u>115,276</u>	<u>113,410</u>	<u>116,232</u>	<u>115,243</u>	<u>1.22</u>
Total Funds	<u>\$540,668</u>	<u>\$544,828</u>	<u>\$599,455</u>	<u>\$587,263</u>	<u>9.32</u>
ISSUES					
	- - - Fiscal 1990 - - - -		- - - Fiscal 1991 - - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. Historical Sites and Signs	\$ -0-	\$50,245	\$ -0-	\$50,499	

Program Description

The Administration Program is responsible for purchasing, accounting and budgeting, personnel, and overall management of the Historical Society.

In fiscal 1988, the Education Program was transferred to this program. With this program came the responsibilities of providing exhibits and materials using society resources and expertise from schools, museums, libraries, and other public institutions throughout the state.

Budget

The Administration Program budget has an overall increase of 9.3 percent. Personal services increase by 10.9 percent reflecting the transfer of a position from the Library Program which is part of their reorganization. This position was a Library Services Manager at grade 16 in the Library Program and when it was transferred to the Administration Program it was upgraded to a grade 18 and functions as the assistant director. Previously the society has not had an assistant director; therefore, current level funds this position at grade 16. Vacancy savings for the agency was 4.1 percent in fiscal 1988 and, therefore, 4 percent is included in current level.

The operating expense budget increases 7 percent. Operating expenses are based on fiscal 1988 expenditure levels which are increased for insurance costs of \$6,527 in fiscal 1990 and \$7,828 in fiscal 1991 and audit costs in fiscal 1990 of

\$13,653. Building rent increases \$5,827 in fiscal 1990 and \$6,094 in fiscal 1991, building and grounds maintenance increases \$1,438 in fiscal 1990 and \$925 in fiscal 1991, while other costs such as SBAS on-line entry and related data processing costs increase approximately \$700 per fiscal year.

The equipment budget is at \$500 per fiscal year which reflects the average for fiscal 1986 through fiscal 1988 actual expenditures. This would allow the agency to purchase office chairs, a projector screen, and a typewriter.

Funding

The Administration Program is funded approximately 80 percent from the general fund.

The funding in the federal category is approximately \$84,000 each fiscal year from donations, \$27,300 each fiscal year from Historic Sites Preservation funds, and other federal grants of approximately \$4,900 per fiscal year.

ISSUE 1: UTILIZATION OF THE ACCOMMODATIONS TAX FOR CAPITOL TOURS

The Montana Historical Society had as one of its functions the Capitol Tours Program. This program was dropped by the agency in fiscal 1987 as part of a budget cut to meet the pay plan shortfall. In the 1987 session it was not funded and according to the appropriations report, it was to be deleted.

The Fiftieth Legislature passed a users tax on hotels, motels, campground accommodations, and similar facilities. Section 15-65-121, MCA, authorizes the distribution of the tax and states in part:

"1% to the Montana historical society to be used for the installation or maintenance of roadside historical signs and historic sites; . . ."

In fiscal 1988 the Historical Society resumed the Capitol Tours Program and used \$14,076 of the accommodations tax revenues as funding. The program is also continued in fiscal 1989 with the same funding. The agency's rationale for using the accommodations tax for the Capitol Tours Program is that the capitol is the most important historic site in Montana, and that using these funds for the tours program meets the legislative intent.

In the 1991 biennium request, the Historical Society is asking for \$50,245 and \$50,496 in fiscal 1990 and 1991, respectively, from the accommodations tax revenues. Table 2 shows a breakdown of the requested funds as to the intended use.

Table 2
Requested Budget for Accommodations Tax

<u>Expenditure Category</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
FTE	1.75	1.75
Tour Guides	\$23,923	\$23,940
Contract for Sign Design	14,370	14,370
Two Annual Workshops		
Consultants	1,000	1,000
Stipends for Attendees	4,000	4,000
Consultant Travel	1,800	1,800
Staff Travel	1,074	1,180
Meeting Room Rental	300	300
Brochures for Capitol Tours	<u>3,778</u>	<u>3,906</u>
Total	<u>\$50,245</u>	<u>\$50,496</u>

This request is being shown as an issue for legislative consideration because there is the question of legislative intent as to the use of the accommodations tax. Does the intended use of the funds by the Historical Society meet the intent of the "maintenance of roadside historical signs and historic sites?"

Option A: Approve the intended use of the funds and appropriate \$50,245 and \$50,496 in fiscal 1990 and 1991, respectively, from the accommodations tax revenues.

Option B: Do not approve the use and instruct the Historical Society to use the funds strictly for the maintenance of historical signs and sites.

LIBRARY					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	15.00	15.00	12.50	12.50	(2.50)
Personal Services	\$365,354	\$340,104	\$307,875	\$308,443	(12.64)
Operating Expenses	64,206	52,868	52,109	54,550	(8.90)
Equipment	17,475	9,900	15,078	15,078	10.16
Total Expenditures	<u>\$447,035</u> =====	<u>\$402,872</u> =====	<u>\$375,062</u> =====	<u>\$378,071</u> =====	<u>(11.39)</u> =====
Fund Sources					
General Fund	\$361,653	\$367,298	\$336,886	\$341,049	(7.00)
State Special	44,643	-0-	-0-	-0-	(100.00)
Federal Revenue	<u>40,739</u>	<u>35,574</u>	<u>38,176</u>	<u>37,022</u>	<u>(1.46)</u>
Total Funds	<u>\$447,035</u> =====	<u>\$402,872</u> =====	<u>\$375,062</u> =====	<u>\$378,071</u> =====	<u>(11.39)</u> =====

Program Description

The Montana Historical Society Library collects, preserves, organizes, and makes accessible to the public, published material concerning the history of Montana and surrounding region. Both the Archives and the Photograph Archives Programs were consolidated with the Library Program in fiscal 1988. It is the responsibility of these two programs to collect, preserve, organize and make accessible to the public unpublished materials and public photographs pertinent to the study of Montana's history and to provide support for exhibitions and publications of the society and others.

Budget

The budget for the Library Program decreases by 11.4 percent, the primary cause being the inclusion of a budget amendment and a Cultural and Aesthetic grant in fiscal 1988. Personal services decline by 2.50 FTE and 12.6 percent. The FTE reduction was the transfer of one position to the Administration Program and deleting the other 1.50 FTE at the agency request. Vacancy savings is applied at 4 percent because the agency had an overall 4.1 percent vacancy savings in fiscal 1988.

Operating expenses decrease by 8.9 percent reflecting the deletion of the grant and budget amendment mentioned in the previous paragraph. In addition, there is a net decrease of approximately \$1,900 each year made up of several minor changes to the operating expenses.

The equipment budget is at the three-year average of actual equipment expenditures for fiscal years 1986 through 1988. This would allow the agency to purchase approximately 45 percent of the equipment requested.

Funding

The Library Program receives approximately 90 percent of its funding from the general fund.

The state special revenue funds of \$44,643 shown in fiscal 1988 are the expenditures from a one time grant from the Montana Arts Council. There is no grant anticipated in the 1991 biennium.

Funds in the federal category are donations of approximately \$3,200 each fiscal year and revenues received in the photograph services of approximately \$35,000 in fiscal 1990 and \$33,800 in fiscal 1991.

MUSEUM					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	8.50	8.50	6.00	6.00	(2.50)
Personal Services	\$199,409	\$203,058	\$144,859	\$145,119	(27.95)
Operating Expenses	126,614	135,588	76,218	76,337	(41.82)
Equipment	<u>297</u>	<u>-0-</u>	<u>2,285</u>	<u>1,315</u>	<u>1112.12</u>
Total Expenditures	<u>\$326,320</u> <u>=====</u>	<u>\$338,646</u> <u>=====</u>	<u>\$223,362</u> <u>=====</u>	<u>\$222,771</u> <u>=====</u>	<u>(32.91)</u> <u>=====</u>
<u>Fund Sources</u>					
General Fund	\$207,138	\$207,342	\$206,758	\$206,167	(0.38)
Federal Revenue	<u>119,182</u>	<u>131,304</u>	<u>16,604</u>	<u>16,604</u>	<u>(86.74)</u>
Total Funds	<u>\$326,320</u> <u>=====</u>	<u>\$338,646</u> <u>=====</u>	<u>\$223,362</u> <u>=====</u>	<u>\$222,771</u> <u>=====</u>	<u>(32.91)</u> <u>=====</u>

Program Description

The Museum Program is responsible for collecting, preserving, and interpreting art and artifacts representative of Montana's past. This program is supported with general fund and private donations.

Budget

The budget for this program has an overall decrease of 32.9 percent which results from the one-time federal grant for the museum renovation which is included in fiscal 1988 actual expenditures and appropriated fiscal 1989.

Personal services decrease 28.0 percent with the elimination of 2.50 FTE at the agency's request and is part of the reduction of the federal grant. Vacancy savings is included at 4 percent in the current level budget.

Operating expenses decrease by 41.8 percent, again due to the reduction of the federal grant for the museum renovation.

Equipment is included at the agency requested level.

Funding

The Museum Program receives approximately 93 percent of its funding from the general fund.

Funds in the federal category include approximately \$12,400 of federal grants and \$4,200 from services each fiscal year of the 1991 biennium.

PUBLICATIONS					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Services	\$118,293	\$139,135	\$135,154	\$135,571	5.17
Operating Expenses	310,743	381,865	300,887	299,936	(13.25)
Equipment	-0-	-0-	2,100	551	100.00
Total Operating Costs	\$429,036	\$521,000	\$438,141	\$436,058	(7.98)
Non-Operating Costs	41,320	41,320	41,320	41,320	0.00
Total Expenditures	\$470,356 =====	\$562,320 =====	\$479,461 =====	\$477,378 =====	(7.34) =====
<u>Fund Sources</u>					
General Fund	\$ 41,320	\$ 41,320	\$ 41,320	\$ 41,320	0.00
Other	429,036	521,000	438,141	436,058	(7.98)
Total Funds	\$470,356 =====	\$562,320 =====	\$479,461 =====	\$477,378 =====	(7.34) =====

Program Description

The Magazine Program is responsible for publishing Montana, the Magazine of Western History, society sponsored quarterlies, books, brochures, catalogs, prints, and other publications. Additionally, this program is responsible for the operation of the society's museum store and merchandising program.

Budget

The Magazine Program decreases by 7.3 percent. This budget is the agency request with the exception of vacancy savings. Vacancy savings is include at 4 percent while the agency's request was at 0 percent. The program experienced 13.4 percent vacancy savings in fiscal 1988 which accounts for the personal services budget increases of 5.2 percent in the 1991 biennium.

Funding

The general fund is maintained at \$41,320 in each year of the 1991 biennium which is the same level as the 1989 biennium.

Revenue from enterprise operations and magazine sales provide the remainder of the funding for the program.

HISTORICAL SITES PRESERVATION					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	6.50	6.50	6.50	6.50	0.00
Personal Services	\$165,597	\$172,663	\$168,110	\$168,872	(0.38)
Operating Expenses	43,613	46,619	49,385	45,775	5.46
Equipment	-0-	-0-	305	305	100.00
Total Operating Costs	\$209,210	\$219,282	\$217,800	\$214,952	0.99
Non-Operating Costs	83,088	610,000	350,000	350,000	1.00
Total Expenditures	\$292,298	\$829,282	\$567,800	\$564,952	1.00
Fund Sources					
General Fund	\$ 62,859	\$ 64,359	\$ 55,862	\$ 49,171	(17.44)
Federal Revenue	229,439	764,923	511,938	515,781	3.35
Total Funds	\$292,298	\$829,282	\$567,800	\$564,952	1.00

Program Description

This program is responsible for implementing the National Historic Preservation Act and the State Antiquities Act. Activities include nominating sites to the National Register, reviewing tax certification projects, administering federal grants-in-aid, reviewing federal projects to determine and comment on any impacts to historic and cultural properties, and coordinating with local governments, state agencies, and the public on matters relating to historic preservation.

Budget

The personal services budget remains approximately the same with only a slight decrease. Vacancy savings is included at 4 percent.

The operating expense budget increases by 5.5 percent. It is based on fiscal 1988 actual expenditures and includes increases for audit costs of \$3,929 in fiscal 1990 and rent of \$1,925 in both fiscal years.

Non-operating expenses are grants made from federal funds throughout the state to survey and plan potential historic sites. Non-operating costs represent approximately 62 percent of the total program costs. The grants were estimated to be \$610,000 per fiscal year for the 1989 biennium. Fiscal 1988 produced fewer than normal grant requests for these funds and only 13.6 percent of the appropriation was utilized. The Historical Society anticipates only approximately \$300,000 to \$350,000 of the authority will be utilized for fiscal 1989 and therefore requested the \$350,000 level for the grants in the 1991 biennium.

Funding

The general fund supplies approximately 9.3 percent of the program's funding.

The federal funds are from the National Parks Service for historic sites preservation. These federal funds require a 50 percent match. For federal funds utilized for the state administrative costs, the Historical Society provides a soft match. For funds granted to localities, the individual recipient provides the match.



EDUCATION

BOARD OF PUBLIC EDUCATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	2.00	\$242,705	\$339,132
LFA Current Level	<u>2.00</u>	<u>208,436</u>	<u>208,436</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ 34,269</u>	<u>\$130,696</u>

The executive budget is higher than LFA current level by \$34,269 in general fund and \$130,696 in total funds. This difference is due primarily to the executive: 1) adding \$33,569 for modified requests and 2) including \$96,427 of a statutory appropriation.

ISSUE 1: PERSONAL SERVICES

Personal services are \$2,618 lower in the executive budget than in LFA current level, primarily because the executive budget has applied a 1.59 percent vacancy savings rate. LFA current level does not apply a vacancy savings rate in this agency because of its size.

ISSUE 2: OPERATING EXPENSES

The executive budget provides \$3,318 more in operating expenses than LFA current level. The major differences are: 1) the executive has budgeted \$2,000 less than the agency request for legal fees for the Underfunded School lawsuit in the fiscal 1991 biennium, while the LFA has accepted the agency request because the lawsuit is continuing; and 2) audit fees of \$4,856 which were miscoded in fiscal 1988 were included in the executive budget, but not in LFA current level.

ISSUE 3: MODIFIED REQUESTS

The executive budget includes \$27,960 for the biennium for: 1) two additional board meetings each year; 2) a test examination of the National Teachers' Examination of Montana Examiners; and 3) dues to the National Association of State Boards of Education. General fund of \$5,609 was included to match a potential federal grant to monitor implementation of Project Excellence.

ISSUE 4: ADVISORY COUNCIL

The executive budget includes \$96,427 for the biennium which is statutorily appropriated to the Advisory Council to oversee certification standards and practices by Section 20-4-109, MCA. Statutory appropriations are excluded from LFA current level because the appropriation is already made in statute.

BOARD OF PUBLIC EDUCATION

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	3.00	3.00	2.00	2.00	(1.00)
Personal Services	\$ 98,723	\$ 98,863	\$ 73,788	\$ 73,862	(25.27)
Operating Expenses	68,728	45,153	31,572	29,214	(46.62)
Equipment	699	-0-	-0-	-0-	(100.00)
Total Expenditures	\$168,150	\$144,016	\$105,360	\$103,076	(33.23)
<u>Fund Sources</u>					
General Fund	\$163,181	\$144,016	\$105,360	\$103,076	(32.15)
Federal Revenue	4,969	-0-	-0-	-0-	(100.00)
Total Funds	\$168,150	\$144,016	\$105,360	\$103,076	(33.23)

Program Description

The Board of Public Education is responsible for exercising general supervision over the public school system and is the statutorily designated governing board of the Montana School for the Deaf and Blind and the Montana Fire Services Training School. The board consists of seven members appointed by the Governor and confirmed by the senate.

Budget

The current level budget provides a 33.2 percent decrease from the 1989 to the 1991 biennium. Personal services decrease by 25.3 percent because \$24,827 for one FTE hired for the accreditation standards study has been transferred to the Advisory Council which gives the council 2.0 FTE. The council is supported by a statutory appropriation. A per diem budget of \$8,000 per year has been included in the current level. No vacancy savings has been applied for the 1991 biennium.

Operating expenses are budgeted to decrease 46.6 percent. This reduction includes removing \$4,969 from a National Governors' Grant and \$28,707 of one-time general fund expenditures for the accreditation standards study. The difference in operating expenses between fiscal 1990 and fiscal 1991 is primarily the result of audit fees which are budgeted in fiscal 1990.

The agency has not requested equipment in the current level budget.

Funding

The general fund is the only funding source for the Board of Public Education. General fund support decreases 32.15 percent because the accreditation standards study was a one-time expenditure which is not included in the current level for the 1991 biennium.

The Advisory Council oversees certification standards and practices. It is supported by a statutory appropriation of fees for teacher and specialist certificates as provided in Section 20-4-109, MCA. Table 1 shows how the agency expects to spend its statutory appropriation in the next biennium. Nearly \$43,000 is budgeted for personal services and \$5,400 is budgeted for operating expenses for each year.

Table 1
Statutory Appropriations for Advisory Council

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
FTE	2.00	2.00
Personal Services	\$42,910	\$42,936
Operating Expenses	<u>5,444</u>	<u>5,437</u>
Total Expenditures	<u>\$48,354</u>	<u>\$48,373</u>

**FIRE SERVICES TRAINING SCHOOL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL**

	FTE <u>Fiscal 1991</u>	- - - - - Biennium - - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	5.00	\$397,755	\$438,555
LFA Current Level	<u>5.00</u>	<u>407,994</u>	<u>431,499</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$(10,239)</u>	<u>\$ 7,056</u>

The executive budget is \$7,056 higher than LFA current level. The executive budget is lower in personal services and equipment but includes a modified request of \$16,800 for rent. The rent is funded by proprietary funds.

ISSUE 1: PERSONAL SERVICES

Personal services are \$6,464 lower in the executive budget than in LFA current level because the executive budget has a 2 percent vacancy savings applied while LFA current level has no vacancy savings.

ISSUE 2: EQUIPMENT

The executive budget is \$3,368 lower in equipment than LFA current level.

ISSUE 3: MODIFIED REQUEST

The executive budget includes \$16,800 of proprietary funds to lease additional office space. To generate these additional proprietary funds, the agency is to increase user fees.

FIRE SERVICES TRAINING SCHOOL

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	5.0	5.0	5.0	5.0	0.00
Personal Services	\$156,549	\$162,964	\$161,922	\$162,012	1.38
Operating Expenses	58,645	51,054	49,238	47,959	(11.40)
Equipment	456	2,000	3,184	3,184	159.28
Total Expenditures	<u>\$215,650</u>	<u>\$216,018</u>	<u>\$214,344</u>	<u>\$213,155</u>	<u>(0.97)</u>
Fund Sources					
General Fund	\$196,814	\$202,018	\$201,172	\$202,822	1.29
Federal Revenue	8,501	2,000	-0-	-0-	(100.00)
Other	<u>10,335</u>	<u>12,000</u>	<u>13,172</u>	<u>10,333</u>	<u>5.24</u>
Total Funds	<u>\$215,650</u>	<u>\$216,018</u>	<u>\$214,344</u>	<u>\$213,155</u>	<u>(0.97)</u>

Program Description

The Fire Services Training School, located in the Great Falls Vocational Technical Center, is supervised by the Board of Public Education. The purpose of the school is to provide support and training for the state's fire services personnel. The school also provides some public education programs to promote fire safety and prevention.

Budget

The current level budget provides a 1.0 percent decrease from the 1989 to the 1991 biennium. Personal services increased by 1.4 percent because there was a 4 percent vacancy savings realized in fiscal 1988, but no savings was applied in fiscal 1990. The vacancy savings was spent on operating expenses in fiscal 1988.

Operating expenses are budgeted to decrease 11.4 percent. This reduction includes removing a \$6,500 federal grant for training in handling hazardous materials, a \$2,000 federal grant for education, and \$4,300 of contract services and supplies purchased with a transfer from personal services. Increases in operating expenses include \$804 to the Department of Administration for computer processing and network and \$527 for insurance.

Equipment is based on the three-year average of equipment appropriated for fiscal years 1986 through 1988. The budgeted amount is \$3,184 for each year of the 1991 biennium, an increase of 159 percent over the current biennium. This would be sufficient to provide some computer equipment and one set of protective clothing for staff.

Funding

Anticipated funding is primarily from the general fund. In addition, proprietary funds of \$10,333 are expected from the sale of goods and services in each year of the biennium. A balance of \$2,839 at the end of fiscal 1989 is expected to be carried forward to fiscal 1990, resulting in total available proprietary funds in fiscal 1990 of \$13,172. Federal grants of \$8,501 received in fiscal year 1988 were not continued in the current level budget.

SCHOOL FOR THE DEAF AND BLIND
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	86.82	\$4,547,982	\$5,281,798
LFA Current Level	<u>84.63</u>	<u>4,258,727</u>	<u>4,972,157</u>
Executive Over (Under) LFA	<u><u>2.19</u></u>	<u><u>\$289,255</u></u>	<u><u>\$309,641</u></u>

There are three areas of differences between the executive budget and LFA current level. These are personal services, operating expenses, and modified requests.

ISSUE 1: PERSONAL SERVICES DIFFERENCES

Table A shows major differences in personal services between the executive budget and LFA current level.

Table A
Personal Services Differences
1991 Biennium Costs

<u>Category</u>	<u>Executive Over (Under) LFA Current Level</u>
Calculation of Vacancy Savings	\$30,855
Housing Allowance for Superintendent	18,080
Teachers Salaries at Budgeted 1988	<u>45,113</u>
Total Personal Service Differences	<u><u>\$94,048</u></u>

Calculation of Vacancy Savings

The executive applied 2 percent vacancy savings to all programs at the school with the exception of the General Services Program which had 0.7 percent vacancy savings applied. LFA current level utilized 4 percent vacancy savings for all programs except the Education Program, which had 1 percent vacancy savings applied.

Housing Allowance for Superintendent

The LFA current level does not include a housing allowance for the superintendent. This allowance is raised as an issue for legislative consideration.

Teachers Salaries at Fiscal 1988 Budgeted

The executive budget is \$45,113 more than LFA current level because the current level maintained all teacher salaries at the level budgeted for fiscal 1988.

ISSUE 2: OPERATING EXPENSE DIFFERENCES

Table B shows the differences between the LFA current level and the executive budget for operating expenses.

Table B
Operating Expense Differences
1991 Biennium

<u>Category</u>	<u>Executive Over (Under) LFA Current Level</u>
Increased Transportation Costs	\$16,732
Repairs at Fiscal 1988 Budget Level	11,348
Personal Service Transferred to Operating Expenses	<u>21,834</u>
Total Operating Expense Differences	<u>\$49,914</u>

Increased Transportation Costs

The executive budget includes \$20,224 increase over base for transportation costs for the children. This was the agency request based on estimates from the various carriers. LFA current level applied the Consumer Price Index (CPI) to base costs for the 1991 projected costs resulting in a lesser cost.

Repairs at 1988 Budgeted

The school overspent the repairs budget by 130 percent, or approximately \$23,000, in fiscal 1988. The executive budget went with the agency request which reduced the 1988 base but not to the level budgeted in fiscal 1988.

Personal Services Budget Transferred to Operating Expenses

LFA current level deletes \$21,834 in the operating expense base. These expenditures were made from funds transferred from the personal services budget. This reduction was not made in the executive budget.

ISSUE 3: MODIFIED REQUESTS

Table C shows the modified budget requests included in the executive budget.

Table C
Modified Requests

<u>Category</u>	<u>FTE</u>	<u>Executive Budget</u>
Purchase a Bus with Wheelchair Lift	0.00	\$ 34,000
Three New Positions		
Orientation Mobility Instructor	0.73	45,358
Speech Therapist	0.73	45,358
Teaching Staff	0.73	42,966
Total Modified Requests	<u>2.19</u>	<u>\$167,682</u>

Purchase Bus

The school is requesting a school bus with a wheelchair lift to be used to transport those children who are confined to wheelchairs.

Hire Three New Positions

Orientation Mobility Instructor - The school is requesting a position to replace contracted services for this function. The request is based on the increasing need for this service and the inability to meet the need through the contract.

Speech Therapist - This request is for an additional speech therapist position. According to the school, the current staff is unable to provide all the therapy needed by the current population.

Teacher - The school is requesting a teacher with specialized preparation to teach blind children. This teacher would be for the primary-intermediate classroom in the Blind Department. This position is currently staffed by a teacher with an elementary education certification.

SCHOOL FOR THE DEAF AND BLIND

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	84.63	84.63	84.63	84.63	0.00
Personal Services	\$1,949,558	\$1,974,026	\$1,997,056	\$1,998,233	1.83
Operating Expenses	466,374	478,379	471,153	462,783	(1.14)
Equipment	23,516	12,000	12,000	12,000	(32.42)
Total Operating Costs	\$2,439,448	\$2,464,405	\$2,480,209	\$2,473,016	1.01
Non-Operating Costs	11,957	-0-	11,957	6,975	58.33
Total Expenditures	<u>\$2,451,405</u>	<u>\$2,464,405</u>	<u>\$2,492,166</u>	<u>\$2,479,991</u>	<u>1.15</u>
Fund Sources					
General Fund	\$2,065,488	\$2,079,479	\$2,135,451	\$2,123,276	2.74
Federal Revenue	385,917	384,926	356,715	356,715	(7.45)
Total Funds	<u>\$2,451,405</u>	<u>\$2,464,405</u>	<u>\$2,492,166</u>	<u>\$2,479,991</u>	<u>1.15</u>

Program Description

Montana State School for the Deaf and Blind is a school for children whose hearing and/or vision is so significantly impaired that they are unable to receive an education in the public schools. Approximately 370 children, ranging in age from infancy to 18, are served by the school. Of these, approximately 70 percent are served by the school's Outreach and Itinerant Program. This program serves hearing impaired and visually impaired children in their local communities and through local schools. The remaining one-fourth are served from the Great Falls campus. Approximately 70 students reside on campus during the school year.

Budget

The school's budget shows an increase of 1.2 percent from the 1989 biennium to the 1991 biennium. This increase is entirely in personal services which increase by 1.8 percent. This increase is a result of higher than budgeted vacancy savings and a transfer of approximately \$47,000 from the personal services budget to operating expenses and equipment in fiscal 1988. Operating expenses decrease by 1.1 percent as one-time expenses are eliminated. The equipment budget decreases by 32.4 percent reflecting approximately \$11,000 of equipment purchased with personal services savings in fiscal 1988.

Funding

The general fund shows a 2.7 percent increase which results from a loss of interest and income funds in the federal and other funding source, and the 1.1 percent increase in the agency budget.

ADMINISTRATION PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - - Current Level - - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1989-91</u>
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
F.T.E.	5.00	5.00	5.00	5.00	0.00
Personal Services	\$137,994	\$135,516	\$136,584	\$136,703	(0.08)
Operating Expenses	35,773	61,744	50,877	33,223	(13.76)
Equipment	9,795	-0-	-0-	-0-	(100.00)
Total Operating Costs	\$183,562	\$197,260	\$187,461	\$169,926	(6.15)
Non-Operating Costs	11,957	-0-	11,957	6,975	58.33
Total Expenditures	<u>\$195,519</u>	<u>\$197,260</u>	<u>\$199,418</u>	<u>\$176,901</u>	<u>(4.19)</u>

Fund Sources

General Fund	<u>\$195,519</u>	<u>\$197,260</u>	<u>\$199,418</u>	<u>\$176,901</u>	<u>(4.19)</u>
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<u>ISSUES</u>	<u>- - - Fiscal 1990 - - -</u>		<u>- - - Fiscal 1991 - - -</u>	
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Superintendent Housing Allowance				
Option A:	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Option B:	3,450	-0-	3,450	-0-
Option C:	7,800	-0-	7,800	-0-

Program Description

The Administration Program for the School for the Deaf and Blind is responsible for the centralized administrative functions of the school including accounting, budgeting, personnel, and purchasing.

Budget

The personal services budget remains almost the same between the two bienniums with a slight decrease of 0.08 percent. Current level does not include the increase of \$7,800 in the superintendent's salary for housing allowance. This will be discussed in the issue.

Operating expenses decrease by 13.8 percent reflecting the net of: 1) an increase in insurance of \$1,660 in fiscal 1990 and \$1,783 in fiscal 1991; 2) the elimination of recruitment costs of \$4,286 each year, which were the costs for the recruitment of the superintendent and are considered to be "one time" costs; 3) increases of \$3,114 each fiscal year for the SBAS on-line entry and edit system and increases in maintenance contracts; and 4) an accounting change shifting costs of the lease-purchase of the telephone system from operating costs to non-operating costs.

Non-operating costs reflect the lease/purchase cost of the telephone system.

As in the 1987 session, equipment is appropriated in the Student Services and Education Programs.

Funding

The program is financed with general fund.

ISSUE 1: SUPERINTENDENT'S SALARY ADJUSTMENT FOR HOUSING

The Board of Public Education recently hired a new superintendent for the School for the Deaf and Blind. As part of the employment agreement, the superintendent is furnished a house to live in which is owned by the school.

The superintendent decided that he did not want to live in the house for personal reasons and moved out. He requested the Board of Public Education to pay him a housing allowance, which it agreed to do effective August 15, 1988. This allowance is \$7,800 per year which was included in the school's budget request.

The board also decided to rent the house to a private citizen for \$7,800 per year so that the housing allowance paid to the superintendent theoretically would not cost the state any additional money. The house, however, is jointly owned by the state and the foundation. The state's ownership is 48 percent and the foundation's is 52 percent. An official of the Board of Public Education informed this office that the foundation will probably require that 52 percent of the rent be given to the foundation which means that the state's share of the rent will be \$3,744. The house is currently being rented to an individual who is a non-state employee.

In addition to the rent not covering the housing allowance, there is also another cost to the general fund because the allowance is treated as salary and therefore subject to benefits costs. The cost to the state for these benefits will be approximately \$1,085 in fiscal 1989 and \$1,240 in each year of the 1991 biennium. The combination of the rental difference and the increased benefits for the housing allowance impact the general fund \$5,296 each year of the 1991 biennium.

There is also the question of the appropriateness of the school providing housing or a housing allowance to the superintendent. The Department of Institutions has several state owned houses on the institutions' grounds that are occupied by employees of the institutions. In House Bill 483 from the 1979 session the legislature directed the department to: "...implement a realistic rental policy to the end that housing rentals reflect increasing costs to the state." The purpose of this was to insure that the state was not subsidizing employees' salaries with free or nominal rental costs.

The Department of Institutions developed a housing policy that sets a consistent rental charge for all employees who live in state owned housing on the institutions' grounds. As an example, the warden of Montana State Prison lives in one of the units and pays a monthly rental to the state for his housing.

In a survey by the School Administrators of Montana (SAM) for 1986-87, it was noted that none of the schools in the classification of First Class, which includes the Great Falls Schools, paid their superintendents a housing allowance and only ten out of the 71 classified as Second Class paid a housing allowance to their superintendent.

Montana School for the Deaf and Blind with approximately 120 students would fall into the classification of Third Class. The salary ranges for the superintendents in this classification range from \$24,000 to \$42,875 with the average being \$34,556. Table 1 shows the number of schools with salary ranges for the superintendents and the number of schools in this class paying housing allowances and the range of these allowances and averages.

Table 1
Montana School System Third-Class Schools
Housing Allowance Range for School Superintendents
1986-87

<u>Salary Range</u>	<u>Number of Schools</u>	<u>Number With Housing Allowance</u>	<u>Housing Allowance Range</u>	<u>Average Allowance</u>
\$24,000-\$30,000	12	9	\$ 200-\$4,980	\$3,275
30,001- 35,000	21	13	1,800- 6,960	3,949
35,001- 40,000	15	10	600- 5,500	3,340
40,001- Up	<u>6</u>	<u>4</u>	900- 5,750	3,450
Total	<u>54</u>	<u>36</u>		

The current salary of the superintendent of the school, without the housing allowance, is \$41,500. In comparing his salary and housing allowance to the table, his housing allowance of \$7,800 is \$4,350 higher than the average paid to superintendents in his wage range.

Option A: Do not appropriate \$7,800 for the superintendent's housing allowance.

Option B: Appropriate the average housing allowance of \$3,450 as shown in Table 1 to the school.

Option C: Appropriate the \$7,800 housing allowance approved by the board.

GENERAL SERVICES PROGRAM

<u>Budget Item</u>	Actual Fiscal <u>1988</u>	Appropriated Fiscal <u>1989</u>	- - - Current Level - - - Fiscal <u>1990</u>	Fiscal <u>1991</u>	% Change 1989-91 <u>Biennium</u>
F.T.E.	4.00	4.00	4.00	4.00	0.00
Personal Services	\$ 94,731	\$ 91,542	\$ 87,623	\$ 87,806	(5.82)
Operating Expenses	170,823	167,994	175,343	181,684	5.37
Equipment	<u>1,324</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.00)</u>
Total Expenditures	<u>\$266,878</u>	<u>\$259,536</u>	<u>\$262,966</u>	<u>\$269,490</u>	<u>1.15</u>
<u>Fund Sources</u>					
General Fund	<u>\$266,878</u>	<u>\$259,536</u>	<u>\$262,966</u>	<u>\$269,490</u>	<u>1.15</u>

Program Description

The General Services Program is responsible for the maintenance and operation of the school's facilities and grounds.

Budget

Personal services decrease 5.8 percent as a result of a long-term employee retiring in fiscal 1988 for which there was approximately \$4,000 termination pay. In addition, the position budget dropped from Step 13 to Step 2.

Operating expenses increase 5.4 percent which is a net of inflation, primarily utilities, offset by a reduction of \$13,500 in repairs which the school had transferred to this program from the personal services budget in the Student Services Program in fiscal 1988.

As appropriated in the 1987 session, equipment is included in the Student Services and Education Program.

Funding

The General Services Program is financed from the general fund.

STUDENT SERVICES PROGRAM

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	31.95	31.95	31.95	31.95	0.00
Personal Services	\$540,974	\$590,485	\$580,256	\$581,038	2.64
Operating Expenses	119,460	130,470	124,877	127,855	1.12
Equipment	<u>4,726</u>	<u>5,850</u>	<u>4,000</u>	<u>4,000</u>	(24.36)
Total Expenditures	<u>\$665,160</u>	<u>\$726,805</u>	<u>\$709,133</u>	<u>\$712,893</u>	<u>2.16</u>
<u>Fund Sources</u>					
General Fund	\$626,742	\$691,805	\$671,133	\$674,893	2.08
Federal Revenue and Other	<u>38,418</u>	<u>35,000</u>	<u>38,000</u>	<u>38,000</u>	<u>3.52</u>
Total Funds	<u>\$665,160</u>	<u>\$726,805</u>	<u>\$709,133</u>	<u>\$712,893</u>	<u>2.16</u>

Program Description

The Student Services Program is responsible for the care and custody of approximately 70 children who reside on the Great Falls campus. The activities include meal preparation, infirmary care, and dorm supervision.

Budget

The Student Services Program budget has an overall increase of 2.2 percent. The personal services increase of 2.6 percent is caused by an actual vacancy savings rate of 12 percent realized in fiscal 1988. The budgeted vacancy savings for the 1989 biennium was 4 percent. Both years of the 1991 biennium have been reduced for 6 percent vacancy savings. During fiscal 1988, \$47,700 of appropriated personal services was transferred to the other three programs with approximately \$30,000 going to operating expenses and \$11,000 utilized for equipment.

Operating expenses increase by 1.1 percent. The operating expense budget is based on fiscal 1988 actual expenditure and increased by inflation in certain categories. In addition, the transportation costs were increased over fiscal 1988 actual using the Consumer Price Index (CPI). This resulted in approximately \$2,500 additional in fiscal 1990 and \$3,500 in fiscal 1991.

The equipment budget is at the appropriated level for the 1989 biennium.

Funding

The general fund supplies approximately 95 percent of the program funding. Federal funds from the school food program provide \$38,000 each year of the 1991 biennium.

EDUCATION PROGRAM

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	43.68	43.68	43.68	43.68	0.00
Personal Services	\$1,175,859	\$1,156,483	\$1,192,593	\$1,192,686	2.27
Operating Expenses	140,318	118,171	120,056	120,021	(7.12)
Equipment	7,671	6,150	8,000	8,000	(15.77)
Total Expenditures	<u>\$1,323,848</u>	<u>\$1,280,804</u>	<u>\$1,320,649</u>	<u>\$1,320,707</u>	<u>1.41</u>
Fund Sources					
General Fund	\$ 976,349	\$ 930,878	\$1,001,934	\$1,001,992	5.07
Federal Revenue and Other	347,499	349,926	318,715	318,715	(8.60)
Total Funds	<u>\$1,323,848</u>	<u>\$1,280,804</u>	<u>\$1,320,649</u>	<u>\$1,320,707</u>	<u>1.41</u>

Program Description

The Education Program is responsible for providing education to the school's 70 residents, as well as approximately 50 children from the Great Falls area for a total campus population of approximately 120 children. Elementary education and core curriculum for junior high and high school are provided at the school. Students of junior high and high school age receive some instruction at the Great Falls schools primarily for elective courses. The outreach and itinerant services are provided to approximately 250 children in schools throughout Montana who have visual and/or hearing impairments.

Budget

The Education Program budget increases 1.4 percent from the 1989 to the 1991 biennium. Salaries were maintained at the 1989 biennium appropriated level which includes the \$23,000 per fiscal year appropriated in House Bill 871. The current level personal services is approximately \$24,000 less than the school requested because the requested salaries included increases which have occurred this biennium which raise the question of compliance with House Bill 223, the pay plan bill, that froze the salaries of state employees to the fiscal 1987 level. The 2.27 percent increase reflects increases in differential and benefits. Differential was based on fiscal 1988 actual expenditures.

Operating expenses decrease 7.1 percent to reflect deletion of approximately \$16,000 of the personal services budget that was transferred from the Student Services Program to the operating expense budget of the Education Program budget. The expenditures for textbooks were left at fiscal 1988 actual costs.

The program's equipment budget is the appropriated 1989 biennium level.

Funding

The general fund supplies approximately 76 percent of the program's budget.

The remainder of the funding comes from four sources. Chapter I funds are anticipated to be \$168,426 each year which is about the same as fiscal 1988. Interest and income funds are expected to be \$147,307 each year which is down from the \$156,596 experienced in fiscal 1988. Chapter II funds of \$1,068 and athletic events proceeds of \$1,914 are included each year of the biennium.

OFFICE OF PUBLIC INSTRUCTION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	118.4	\$5,160,877	\$11,598,970
LFA Current Level	<u>121.9</u>	<u>5,059,420</u>	<u>10,870,198</u>
Executive Over (Under) LFA	<u>=(3.5)</u>	<u>\$=101,457</u>	<u>\$=728,772</u>

The executive budget is \$728,772 higher than the LFA current level. The major differences between the executive budget and current level are \$199,351 in operating costs and \$529,419 in modified requests.

ISSUE 1: OPERATING COSTS

As can be seen in Table A, the executive budget includes \$11.1 million for operations, or \$199,351 more than LFA current level of \$10.9 million.

Table A
Differences between Executive and LFA Current Level by Expenditure Type

<u>Expenditures</u>	<u>Executive</u>	<u>LFA</u>	<u>Difference</u>
FTE	118.4	121.9	(3.5)
Personal Services	\$ 6,852,275	\$ 6,756,001	\$ 96,274
Operating Expenses	3,261,495	3,274,519	(13,024)
Equipment	179,955	121,262	58,693
Transfers	<u>775,824</u>	<u>718,416</u>	<u>57,408</u>
Total	<u>\$=11,069,549</u>	<u>\$10,870,198</u>	<u>\$=199,351</u>

The executive budget for personal services is \$96,274 higher than LFA current level. The executive budget reduces positions by 3.50 FTE and applies a vacancy savings rate of 2.0 percent for all personal services except the salary of the Chief State School Officer. The LFA current level does not eliminate any positions, but includes a vacancy savings rate of 6.0 percent for all personal services except the salary of the Chief State School Officer. This agency experienced an over-all vacancy savings rate of 8.0 percent in fiscal 1987 and 1988.

The executive budget for equipment includes \$58,693 more than LFA current level. LFA current level equipment at \$121,262 for the biennium is based on the three year average budgeted amount for equipment in fiscal 1986, 1987, and 1988. The agency overspent its equipment budget in each of these three years.

The executive budget is \$57,408 higher for transfers than LFA current level, primarily because indirect costs were applied to the federal funds in modified budget requests.

ISSUE 2: MODIFIED REQUESTS

The executive budget includes \$529,419 in four modified budget requests in Basic Skills and Special Services. These modified requests are illustrated in Table B.

Table B
Modified Requests for Office of Public Instruction

	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>Total</u>
EESA Title II	\$ 80,000	\$ 80,000	\$160,000
Byrd Scholarships	36,000	36,000	72,000
EICA Chapter I	99,311	99,309	198,620
McKinney Homeless Act	<u>49,397</u>	<u>49,402</u>	<u>98,799</u>
Total	<u>\$264,708</u>	<u>\$264,711</u>	<u>\$529,419</u>

The EESA Title II Math/Science grants are administered through the Basic Skills program. The cost of \$160,000 for the biennium would be funded through federal sources.

There are three modified requests in Special Services: 1) \$72,000 for Byrd Scholarships; 2) \$198,620 in EICA Chapter I money; and 3) \$98,799 for the McKinney Homeless Act. These programs are funded with federal funds.

OFFICE OF PUBLIC INSTRUCTION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	121.90	121.90	121.90	121.90	0.00
Personal Services	\$3,290,078	\$3,438,026	\$3,375,278	\$3,380,723	0.41
Operating Expenses	1,717,116	1,577,606	1,660,227	1,614,292	(0.61)
Equipment	109,595	64,378	60,631	60,631	(30.30)
Total Operating Costs	\$5,116,789	\$5,080,010	\$5,096,136	\$5,055,646	(0.44)
Non-Operating Costs	336,450	387,087	359,208	359,208	(0.71)
Total Expenditures	<u>\$5,453,239</u>	<u>\$5,467,097</u>	<u>\$5,455,344</u>	<u>\$5,414,854</u>	<u>(0.46)</u>
Fund Sources					
General Fund	\$2,503,522	\$2,452,929	\$2,513,947	\$2,545,473	2.08
State Special	552,829	654,093	583,033	583,033	(3.39)
Federal and Other Revenue	2,396,888	2,360,075	2,358,364	2,286,348	(2.36)
Total Funds	<u>\$5,453,239</u>	<u>\$5,467,097</u>	<u>\$5,455,344</u>	<u>\$5,414,854</u>	<u>(0.46)</u>

Program Description

The Office of Public Instruction (OPI) provides general supervision of the public primary and secondary schools. OPI administers federal and state regulations applicable to the school districts, provides technical and curriculum assistance, monitors federal programs and expenditures, provides state leadership to school districts, and disburses state funds to school districts. The Superintendent of Public Instruction is an elected official and serves a four-year term.

The office is composed of five programs: Chief State School Officer, Basic Skills, Vocational Education, Administrative Services, and Special Services.

Budget

Current level provides an overall 0.5 percent decrease from the 1989 to the 1991 biennium. The Office of Public Instruction experienced an 8.0 percent vacancy savings in fiscal 1987 and fiscal 1988, some of which was used to pay for positions which were upgraded in the process of restructuring the office. A 6.0 percent vacancy savings has been applied each year of the 1991 biennium. The net result of the above is a current level personal services increase of 0.4 percent.

Current level operating costs exclude fiscal 1988 budget amendments of federal funds for math/science grants and Byrd Scholarships and a supplemental appropriation of general fund for the school lawsuit. Travel was reduced to the budgeted level for fiscal 1988 because the agency overspent the travel budget by 9.4 percent. The over-expenditures were paid for from vacancy savings. The

difference in operating expense between fiscal 1990 and fiscal 1991 is legislative audit fees in fiscal 1990 only. Operating expenses decrease 0.6 percent in the current level budget.

The agency overexpended its equipment budget by an average of over 100 percent in fiscal years 1986, 1987, and 1988. The additional expenditures for equipment were paid from vacancy savings. Current level utilizes the average equipment budget for fiscal 1986, 1987, and 1988, resulting in a budget which is 30.3 percent less than equipment expenditures for the 1989 biennium.

Non-operating costs, which are transfers to the indirect cost pool, are shown in Table 1. These costs decrease by 0.7 percent in the fiscal 1991 biennium primarily because of decreasing federal revenues against which indirect costs can be applied. There is an offsetting increase for indirect costs applied for the first time against revenues from the driver education facility in Lewistown. Increases between fiscal 1988 and fiscal 1990 in Basic Skills are offset by decreases in Administrative Services which reflects the transfer of Chapter II funds between these two programs.

Table 1
Non-Operating Costs Transferred to Indirect Cost Pool

	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Basic Skills	\$ 34,716	\$ 34,413	\$ 60,248	\$ 60,248
Vocational Education	46,175	46,034	40,000	40,000
Administrative Services	82,247	102,131	58,074	58,074
Special Services	<u>173,312</u>	<u>204,509</u>	<u>200,886</u>	<u>200,886</u>
Total	<u>\$336,450</u>	<u>\$387,087</u>	<u>\$359,208</u>	<u>\$359,208</u>

Funding

Anticipated funding is from the general fund, state special revenues, and federal funds. The general fund increases by 2.1 percent because federal money, primarily Chapter II and vocational education funds, has decreased 2.4 percent. State special revenue has decreased 3.4 percent because of declining revenues in the Audio/Visual Library.

CHIEF STATE SCHOOL OFFICER					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - -</u>		<u>% Change 1989-91 Biennium</u>
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Services	\$ 99,915	\$ 93,762	\$111,886	\$111,765	15.48
Operating Expenses	55,192	43,368	57,930	41,432	0.81
Equipment	2,205	-0-	-0-	-0-	(100.00)
Total Expenditures	\$157,312 =====	\$137,130 =====	\$169,816 =====	\$153,197 =====	9.70 =====
<u>Fund Sources</u>					
General Fund	\$130,846	\$124,062	\$ 82,577	\$139,697	(12.80)
Other Revenue	26,466	13,068	87,239	13,500	154.82
Total Funds	\$157,312 =====	\$137,130 =====	\$169,816 =====	\$153,197 =====	9.70 =====

Program Description

The Chief State School Officer Program consists of the Superintendent of Public Instruction and support staff and the sale of school publications.

Budget

Current level provides for a 9.7 percent increase in operating costs from the 1989 to the 1991 biennium. While there was no change in the number of FTE, there was a general office restructuring in fiscal 1988. One FTE position at approximately \$27,000 transferred to this program from Administrative Services was offset by 1.00 FTE position at \$17,000 transferred from this program to Vocational Education. In addition, agency-wide vacancy savings of 6.0 percent was applied to all positions except that of the superintendent. The net result was an increase of 15.5 percent in the personal services costs.

Operating expenses increase 0.8 percent, including increases for printing, particularly for the School Laws in alternate years, and a decrease in travel because the current level is based on fiscal 1988 budgeted rather than the actual expenditures. The fiscal 1988 travel budget was overspent in this program by 9.5 percent.

Current level includes no equipment for the Chief State School Officer. There was an expenditure of \$2,205 for equipment in fiscal 1988, but there was no budget for either fiscal 1988 or fiscal 1989.

Funding

Other revenue consists of publication funds which are generated primarily from the sale of School Laws as provided in Section 20-3-105, MCA. Table 2

shows the revenues and expenditures for fiscal years 1989 and 1990. An excess fund balance of \$57,239 will be available for operating expenses in fiscal 1990.

Table 2
Publications Account

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>
Beginning Balance	\$32,759	\$57,239
Est. Revenues	<u>37,548</u>	<u>30,000</u>
Total Funds Available	\$70,307	\$87,239
Estimated Disbursements	<u>13,068</u>	<u>87,239</u>
Ending Fund Balance	<u>\$57,239</u>	<u>\$ -0-</u>

BASIC SKILLS

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	32.80	32.80	35.05	35.05	2.25
Personal Services	\$ 925,635	\$ 888,871	\$ 957,380	\$ 959,475	5.64
Operating Expenses	364,385	257,860	229,426	229,282	(26.28)
Equipment	<u>26,739</u>	<u>35,000</u>	<u>29,090</u>	<u>28,965</u>	<u>(5.97)</u>
Total Operating Costs	\$1,316,759	\$1,181,731	\$1,215,896	\$1,217,722	(2.60)
Non-Operating Costs	<u>34,716</u>	<u>34,413</u>	<u>60,248</u>	<u>60,248</u>	<u>74.31</u>
Total Expenditures	<u>\$1,351,475</u>	<u>\$1,216,144</u>	<u>\$1,276,144</u>	<u>\$1,277,970</u>	<u>(0.53)</u>
<u>Fund Sources</u>					
General Fund	\$ 924,182	\$ 855,549	\$ 786,495	\$ 788,175	(11.52)
State Special	203,266	237,944	195,325	195,325	(11.46)
Federal Revenue	<u>224,027</u>	<u>122,651</u>	<u>294,324</u>	<u>294,470</u>	<u>69.84</u>
Total Funds	<u>\$1,351,475</u>	<u>\$1,216,144</u>	<u>\$1,276,144</u>	<u>\$1,277,970</u>	<u>(0.53)</u>

	- - - - Fiscal 1990 - - - - -		- - - - Fiscal 1991 - - - - -	
<u>ISSUES</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. Audio Visual Library				
Decreasing Revenue				
Option A:	\$ 46,008	\$(46,008)	\$ 46,014	\$(46,014)
Option B:	-0-	-0-	-0-	-0-
Option C:	(48,034)	(91,423)	(47,910)	(91,423)
2. Fees Charged at Lewistown				
Driver Education Facility	\$(100,596)	\$ -0-	\$ -0-	\$ -0-

Program Description

The Basic Skills Program provides services to school districts in the areas of basic skills instruction, curriculum consultation, audio-visual library materials, traffic safety education, veterans and Indian education, and driver's education.

Budget

Current level provides for a 2.6 percent decrease in operating costs from the 1989 to the 1991 biennium. The general office restructuring in fiscal 1988 resulted in a net increase of 2.25 FTE in this program. A net of 1.00 FTE from Administrative Services and 1.25 FTE from Special Services were transferred to this program. This increase in FTE, less an applied rate of 6.0 percent vacancy savings, resulted in a 5.6 percent increase in personal services.

Operating expenses decrease 26.3 percent. This decrease includes: 1) removal of a budget amendment for federal grant expenditures of \$72,669 for basic skills instruction; 2) reduction of \$24,771 for rent and utilities for the Audio/Visual Library because the library was moved to a Department of Administration building where rent is being paid by Administrative Services; 3) reduction of \$19,000 in one-time paying expenditures for the driver education facility in Lewistown; and 4) setting current level travel expenditures at the fiscal 1988 budgeted level. The travel budget in this program was overspent by \$27,844, or 48.9 percent, in fiscal 1988. Offsetting the reductions were net increases of \$9,325 for inflationary increases and small modifications.

Equipment budgeted in the current level includes \$19,000 for replacement vehicles for each year of the biennium at the driver education facility in Lewistown and approximately \$10,000 each fiscal year for equipment, primarily computers and software, for the other programs in Basic Skills.

The non-operating costs are the transfers to the indirect cost pool which have been increased in the current level by 74.3 percent. This increase is the result of additional indirect costs of \$18,177 from federal funds and also \$7,355 of indirect costs from fees generated at the driver education facility in Lewistown. Indirect costs had not previously been assessed against the driver education fees, but since there are administrative costs for these funds this assessment has been made.

Funding

State special revenues, comprised of Traffic Safety Education and Audio/Visual Library revenue, decrease 11.5 percent. Traffic Safety Education revenue increases 1.6 percent. Rental of films from the Audio Visual Library has declined sharply, requiring utilization of fund balances. Current level revenue estimates of \$91,423 are 37 percent less than the \$145,125 appropriated in fiscal 1988.

Federal revenue increases 69.8 percent as a net result of the following:

- 1) a \$41,000 increase in Chapter II block grant funds in basic skills administration;
- 2) a \$91,000 transfer of Chapter II block grant funds from Administrative Services to Curriculum Consultants;

- 3) an increase of \$8,000 in federal funds for veteran's and Indian education;
- 4) an increase of \$8,000 in federal and other funds in the Driver's Education Program in Lewistown; and
- 5) a decrease of \$72,669 for a budget amendment for Title II math/science grants.

ISSUE 1: AUDIO/VISUAL LIBRARY DECREASING REVENUE

The Office of Public Instruction maintains a centralized film library for use by school districts, state agencies, and other interested groups. In addition to maintaining a library of films for rent, the library rents and repairs equipment.

Audio/Visual Library revenue from the rental of films and the rental and repair of equipment has been decreasing; correspondingly, more general fund support has been required. Table 3 shows the rentals and general fund support for the library since fiscal 1986, the funding estimated by the agency in fiscal 1989, 1990, and 1991, and the number of film rentals in each of those years.

Table 3
Audio/Visual Library Revenues and Rentals

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal** 1989</u>	<u>Fiscal** 1990</u>	<u>Fiscal** 1991</u>
Library Cost	<u>\$172,629</u>	<u>\$154,760</u>	<u>\$157,423</u>	<u>\$149,757</u>	<u>\$156,542</u>	<u>\$156,542</u>
<u>Funding</u>						
Rentals	\$130,760	\$110,609	\$ 91,783	\$ 61,281	\$ 62,500	\$ 62,500
General Fund	24,999	25,069	66,177	83,415*	94,042	93,924
Fund Bal. Used	<u>16,870</u>	<u>19,082</u>	<u>(537)</u>	<u>5,061</u>	<u>-0-</u>	<u>-0-</u>
Total Funding	<u>\$172,629</u>	<u>\$154,760</u>	<u>\$157,423</u>	<u>\$149,757</u>	<u>\$156,542</u>	<u>\$156,424</u>
<u>Number of Rentals</u>	19,208	17,826	14,889	10,000	10,000	10,000

* Includes \$16,023 in Chapter II funds.

**Agency estimates for rentals and costs.

As can be seen in the table, film rentals will have dropped from \$130,760 in fiscal 1986 to an estimated \$61,281 in fiscal 1989. It is expected that the number of rentals will drop from 19,208 items in fiscal 1986 to 10,000 items in fiscal 1989. The agency expects that the use of the library will continue to decline in the next biennium. Steps have been taken to counter the decrease in revenues by reducing personnel and operating expenses, but the reductions have occurred only half as fast as the decline in revenues.

The current level includes rental revenue at \$91,423 for each year of the biennium, as shown in Table 4. The agency anticipates \$62,500 in each year of the 1991 biennium, or nearly \$30,000 lower than the actual 1988 revenues as shown in Table 3. The current level budget assumes that \$48,034 in fiscal 1990 and \$47,910 in fiscal 1991 will be the required general fund support for the audio visual library.

Table 4
Audio/Visual Library Current Level Revenues and Expenditures

<u>Expenditures</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Personal Services	\$ 91,564	\$ 91,837
Operating Expenses	41,893	41,496
Non-Operating Costs	<u>6,000</u>	<u>6,000</u>
Total Expenditures	<u>\$139,457</u>	<u>\$139,333</u>
<u>Revenue</u>		
Rentals	\$ 91,423	\$ 91,423
General Fund	<u>48,034</u>	<u>47,910</u>
Total Revenue	<u>\$139,457</u>	<u>\$139,333</u>

Option A: Support the library as it is currently operating with general fund as the agency has requested at \$94,042 in fiscal 1990 and \$93,924 in fiscal 1991 which is a general fund increase of \$46,008 in fiscal 1990 and \$46,014 in fiscal 1991 over current level.

Option B: Support the library at current level which includes \$48,034 in fiscal 1990 and \$47,910 in fiscal 1991 of general fund.

Option C: Eliminate the library which would be a general fund savings of \$48,034 in fiscal 1990 and \$47,910 in fiscal 1991. This option will also reduce other funds by \$91,423 in each fiscal year.

ISSUE 2: FEES CHARGED AT LEWISTOWN DRIVER EDUCATION FACILITY

The Drivers' Education Program in Lewistown utilizes federal funds and user fees to provide driver education workshops for driver education teachers, bus drivers, and drivers of emergency vehicles. User fees at approximately \$100 per participant are used to pay for the cost of operation. The Office of Public Instruction applied for and received federal funds through the Highway Traffic Safety Division to aid in the cost of training emergency vehicle drivers. Table 5 shows the beginning fund balance, the total funds available, the expenditures, the fund balance at the end of fiscal years 1986 through 1991, and the number of participants in each year.

Table 5
Lewistown Driver Education Facility
Revenues and Expenditures

	Actual			Estimated		
	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
Beginning Fund Balance	\$31,082	\$ 64,896	\$ 79,479	\$ 82,253	\$100,596	\$100,596
Revenue						
User Revenues	\$29,820	\$ 28,425	\$ 43,350	\$ 51,175	\$ 47,663	\$ 47,809
Federal Revenues	<u>15,687</u>	<u>11,800</u>	<u>10,000</u>	<u>33,500</u>	<u>10,000</u>	<u>10,000</u>
Total Funds Available	\$76,589	\$105,121	\$132,829	\$166,928	\$158,259	\$158,405
Expenditures	<u>11,693</u>	<u>25,642</u>	<u>50,576</u>	<u>66,332</u>	<u>57,663</u>	<u>57,809</u>
Ending Fund Balance	<u>\$64,896</u>	<u>\$ 79,479</u>	<u>\$ 82,253</u>	<u>\$100,596</u>	<u>\$100,596</u>	<u>\$100,596</u>
Number of Participants	348	333	400	410	435	435

As can be seen in the table, the estimated year-end fund balance based on agency estimated revenues for fiscal 1989 is \$100,596, or 55 percent greater than the balance of \$64,896 in fiscal 1986.

Table 5 indicates that the fund balance will not be needed in the program in the next biennium. The balance is user fees charged by the Office of Public Instruction for a program for which there is no statutory restriction on the use of the funds. Therefore, the balance of \$100,596 is available on a "one-time" basis.

Option A: Utilize the fund balance in another program on a "one-time" basis.

Option B: Take no action.

VOCATIONAL EDUCATION

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal <u>1988</u>	Fiscal <u>1989</u>	Fiscal <u>1990</u>	Fiscal <u>1991</u>	1989-91 <u>Biennium</u>
F.T.E.	10.95	10.95	10.75	10.75	(0.20)
Personal Services	\$325,289	\$339,843	\$310,659	\$311,298	(6.49)
Operating Expenses	65,884	62,141	68,443	69,302	7.59
Equipment	<u>6,589</u>	<u>4,000</u>	<u>3,729</u>	<u>3,729</u>	<u>(29.57)</u>
Total Operating Costs	\$397,762	\$405,984	\$382,831	\$384,329	(4.55)
Non-Operating Costs	<u>46,175</u>	<u>46,034</u>	<u>40,000</u>	<u>40,000</u>	<u>(13.24)</u>
Total Expenditures	<u>\$443,937</u> =====	<u>\$452,018</u> =====	<u>\$422,831</u> =====	<u>\$424,329</u> =====	<u>(5.45)</u> =====
<u>Fund Sources</u>					
General Fund	\$170,264	\$177,974	\$181,983	\$183,481	4.95
Federal Revenue	<u>273,673</u>	<u>274,044</u>	<u>240,848</u>	<u>240,848</u>	<u>(12.05)</u>
Total Funds	<u>\$443,937</u> =====	<u>\$452,018</u> =====	<u>\$422,831</u> =====	<u>\$424,329</u> =====	<u>(5.45)</u> =====

Program

The Vocational Education Program administers state and federal vocational education funds to school districts. This program is comprised of three components for budgeting purposes: Administration, Job Training Partnership Act (JTPA), and Adult Basic Education.

Budget

Current level provides for a decrease of 5.5 percent in total expenditures from the 1989 to the 1991 biennium. Personal services decrease 6.5 percent. The 6.0 percent vacancy savings rate for the 1991 biennium was lower than the 7.3 percent vacancy savings rate experienced in fiscal 1988. One-and-one-half FTE at a cost of \$43,417 were transferred out of this program, while 1.30 FTE with salaries of \$27,036 were transferred in, causing a net reduction of 0.20 FTE and \$16,381 in personal services costs.

Operating expenses increase 7.6 percent, primarily because the current level includes travel as budgeted. For this program, budgeted travel was greater than what was actually spent in fiscal 1988. However, because travel for the agency as a whole was overspent in fiscal 1988, all programs in current level have been adjusted to the fiscal 1988 budgeted level. All other expenditures are based on actual expenditures for fiscal 1988.

Equipment is the agency request of \$7,458 for the 1991 biennium.

Non-operating costs, which are transfers to the indirect cost pool, are 13.2 percent less than in the 1989 biennium. The reduced transfers are the result of lower federal vocational education revenues and, therefore, lower indirect costs. Allowable indirect costs estimated for fiscal 1990 and 1991 are 17.5 and 21.5 percent depending upon the type of fund, compared to rates of 17.9 and 22.5 percent in fiscal 1988.

Funding

Anticipated federal revenues are from vocational education, job training, and basic education. A one-for-one general fund match of \$149,688 is required for vocational education in each year, compared to \$143,314 required in fiscal 1988. Federal funds for adult basic education require \$10,000 on a 20 percent match in fiscal 1990 and \$12,500 on a 25 percent match in fiscal 1991 as compared to a 10 percent match of \$5,000 in fiscal 1988. Therefore, a general fund allocation of at least \$159,688 in fiscal 1990 and \$162,188 in fiscal 1991 would be necessary to match the federal funds at the current level. This match was \$148,314 in fiscal 1988.

ADMINISTRATIVE SERVICES					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	47.30	47.30	44.00	44.00	(3.30)
Personal Services	\$1,131,428	\$1,302,316	\$1,195,537	\$1,196,772	(1.70)
Operating Expenses	555,059	479,378	564,721	531,033	5.93
Equipment	25,182	4,000	8,253	8,253	(43.44)
Total Operating Costs	\$1,711,669	\$1,785,694	\$1,768,511	\$1,736,058	0.21
Non-Operating Costs	82,247	102,131	58,074	58,074	(37.01)
Total Expenditures	\$1,793,916 =====	\$1,887,825 =====	\$1,826,585 =====	\$1,794,132 =====	(1.66) =====
Fund Sources					
General Fund	\$ 846,591	\$ 853,756	\$1,039,680	\$1,007,227	20.38
State Special	349,563	416,149	387,708	387,708	1.27
Federal Revenue	597,762	617,920	399,197	399,197	(34.33)
Total Funds	\$1,793,916 =====	\$1,887,825 =====	\$1,826,585 =====	\$1,794,132 =====	(1.66) =====

Program

The Administrative Services Program is responsible for accounting, budgeting, personnel, public information, program planning and evaluation, legal services, financial aid distribution, and school foods.

Budget

Current level provides for a 1.7 percent decrease in total expenditures from the 1989 to the 1991 biennium. Personal services decrease 1.7 percent which is the result of these adjustments:

- 1) Agency reorganization and FTE transfers. Transfers from the program included 1.00 FTE position to Chief State School Officer, 2.00 FTE to Basic Skills, 0.30 FTE to Vocational Education, and 2.50 FTE to Special Services. Transfers to the program included 1.00 FTE position from Basic Skills, 0.50 FTE from Vocational Education, and 1.00 FTE from Special Services. The net result of these transfers was a decrease of 3.30 FTE in Administrative Services.
- 2) A grade 12 personnel specialist position was reclassified at the agency request to a grade 18 career executive assignment position. This position is maintained at grade 12 in current level.
- 3) Application of a 6 percent vacancy savings rate. There was an actual vacancy savings of 16.6 percent in this program in fiscal 1988.

Operating expenses are 5.9 percent higher in current level than they are in the 1989 biennium. Fiscal 1990 contains \$44,000 in audit fees which are not included in fiscal 1991. Operating expenses are based on fiscal 1988 actual expenditures plus inflationary increases in insurance, audit fees, printing and graphics, postage, rent, and increases for SBAS on-line entry. Current level travel is at the budgeted level of \$56,371 for fiscal 1988. The agency overspent travel by 7.6 percent in fiscal 1988.

Computer and office equipment is included at the agency request of \$8,253 each year of the biennium. Actual expenditures in fiscal 1988 were \$25,182 for office and computer equipment. The equipment budget for fiscal 1988 was \$4,000.

Non-operating costs are transfers to the indirect cost pool and are expected to decrease 37 percent because there is less federal money against which to apply the indirect costs. The allowable indirect cost rates are 17.5 and 21.5 percent of expenditures, depending upon the type of fund.

Funding

State special funds, which are \$359,208 in allowable transfers for indirect costs of administering federal and state special funds, \$25,000 in school lunch funds, and \$3,500 in educational activity sales, have increased primarily because: 1) indirect costs of \$7,355 were taken against the drivers' training facility in Lewistown for the first time; 2) indirect costs charged against Basic Skills and Veteran's/Indian education are \$12,777 higher than in fiscal 1988 because the maximum charges are higher than the actual charges in fiscal 1988; and 3) school lunch funds are expected to increase \$2,395 from \$22,605 in fiscal 1988 to \$25,000 in fiscal 1990.

Federal funds are decreasing in this program, primarily because of reductions in total federal Chapter II funds, and because approximately three-fourths of the Chapter II funds utilized in administration in fiscal 1988 have been transferred to the Basic Skills Program. General fund has increased 20.4 percent. Of this increase from fiscal 1988 to 1990, \$137,687 is offset in the

Basic Skills Program. The remaining \$55,000 of the increase is used to maintain the current level.

SPECIAL SERVICES					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	27.85	27.85	29.10	29.10	1.25
Personal Services	\$ 807,811	\$ 813,234	\$ 799,816	\$ 801,413	(1.22)
Operating Expenses	676,596	734,859	739,707	743,243	5.07
Equipment	48,880	21,378	19,559	19,684	(44.14)
Total Operating Costs	\$1,533,287	\$1,569,471	\$1,559,082	\$1,564,340	0.67
Non-Operating Costs	173,312	204,509	200,886	200,886	6.34
Total Expenditures	\$1,706,599 =====	\$1,773,980 =====	\$1,759,968 =====	\$1,765,226 =====	1.28 =====
Fund Sources					
General Fund	\$ 431,639	\$ 441,588	\$ 423,212	\$ 426,893	(2.65)
Federal Revenue	1,274,960	1,332,392	1,336,756	1,338,333	2.60
Total Funds	\$1,706,599 =====	\$1,773,980 =====	\$1,759,968 =====	\$1,765,226 =====	1.28 =====

Program Description

The Special Services Program is responsible for administering special education, Title IV, the sex desegregation program, Chapter I, the gifted and talented program, miscellaneous federal grants, and the audiology program.

Budget

Current level provides for a 0.7 percent increase in total operating costs from the 1989 to the 1991 biennium. Personal services decreases 1.2 percent because a vacancy savings rate of 6.0 percent was applied, offsetting a net increase of 1.25 FTE positions. The increase in positions resulted from: 1) increases of 2.50 FTE transferred to this program from Administrative Services and 1.00 FTE from Vocational Education; and 2) decreases of 1.00 FTE transferred to Administrative Services and 1.25 FTE transferred to Basic Skills. The actual fiscal 1988 vacancy savings in this program was 4.7 percent.

Operating expenses are 5.1 percent higher in current level than they are in the 1989 biennium. Net increases of \$90,872 for contracted services, publications, and other costs of additional workshops in the special education, deaf and blind, sex desegregation, Chapter I, immigrant education, and other federal programs are offset by removal of \$27,761 in budget amendment expenditures for Byrd Scholarships. Travel funds are at the fiscal 1988 budgeted level of

\$152,872 per year because travel was overspent in this program by 11.0 percent in fiscal 1988.

Current level for office, computer, and other equipment is \$19,600 for each year of the biennium or 60 percent less than the actual expenditures of \$48,880 in fiscal 1988. The equipment budget is based on the agency average budget for fiscal years 1986, 1987, and 1988. The budgeted average was used because the equipment budget has been overspent by an average of 100 percent in the past three fiscal years. The appropriation for this program in fiscal 1988 was \$21,374.

Non-operating costs are the transfers to the indirect cost pool and are 6.34 percent higher than in the 1989 biennium. The increase is a result of the maximum indirect rate of 17.9 percent being applied to increased federal funds.

Funding

The general fund, which funds administrative and secretarial costs, one position in special education, the gifted and talented program, and the audiology program, decreases 2.7 percent. A 2.6 percent increase in federal funds from 13 different federal grants is sufficient to fund the current level budget.

DISTRIBUTION TO PUBLIC SCHOOLS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

<u>Program</u>	<u>Funding</u>	<u>Biennium Executive</u>	<u>LFA Current Level</u>	<u>Difference</u>
Special Ed	General Fund	\$54,723,292	\$54,723,292	\$ -0-
Special Ed Contingency	General Fund	1,000,000	1,000,000	-0-
Transportation	General Fund	12,505,788	12,505,788	-0-
School Foods	General Fund	1,189,502	1,198,794	(9,292)
Gifted and Talented	General Fund	200,000	200,000	-0-
Adult Basic Education	General Fund	43,190	-0-	43,190
Impact Aid	General Fund	10,000	10,000	-0-
	Ed. Trust Int.	249,000	292,190	(43,190)
	Tuition/Fees	157,810	-0-	157,810
Federal Discr. Funds				
EHA-B	Federal	980,000	980,000	-0-
JTPA	Federal	1,075,000	940,000	135,000
Adult Basic Ed.	Federal	1,075,000	1,050,416	24,584
McKinney Homeless	Federal	259,786	300,000	(40,214)
Preschool Incentive	Federal	100,000	100,000	-0-
Vocational Education	Federal	4,366,800	4,600,000	(233,200)
Total		<u>\$77,935,168</u>	<u>\$77,900,480</u>	<u>\$---34,688--</u>

The executive budget is \$34,688 higher than current level because of two factors. The executive includes Adult Basic Education tuition and fees of \$157,810 generated under Section 20-7-705, MCA, which is not in LFA current level. This is offset by differences in revenue estimates for five programs, the net of which LFA current level is \$123,122 higher than the executive.

The executive budget includes \$43,190 in general fund support for Adult Basic Education to replace education trust fund interest which will not be available under the executive proposal because the executive uses the education trust fund principle.

DISTRIBUTION TO PUBLIC SCHOOLS

<u>Program</u>	Actual	Estimated	- - - Current Level - - -	
	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Special Education	\$27,352,686	\$27,361,646	\$27,361,646	\$27,361,646
Special Education Contingency	487,652	500,000	500,000	500,000
Transportation	6,252,894	6,200,918	6,252,894	6,252,894
School Lunch	594,373	594,751	599,397	599,397
Gifted and Talented	94,013	100,000	100,000	100,000
Adult Basic Education	147,523	147,523	146,095	146,095
Impact Aid	3,633	5,000	5,000	5,000
Federal Discretionary Funds				
EHA-B	116,052	145,417	475,000	505,000
JTPA	514,211	821,476	470,000	470,000
Adult Basic Education	453,301	934,136	525,208	525,208
McKinney Homeless Act	-0-	71,000	150,000	150,000
Preschool Incentive	26,064	43,237	50,000	50,000
Vocational Education	<u>2,046,436</u>	<u>1,025,000</u>	<u>2,300,000</u>	<u>2,300,000</u>
 Total	 <u>\$38,088,838</u> =====	 <u>\$37,950,104</u> =====	 <u>\$38,935,240</u> =====	 <u>\$38,965,240</u> =====

The distribution to schools was \$38 million in fiscal 1988 and is \$38.9 million in current level. Each of these distributions is discussed in the following section.

Special Education

Federal and state laws direct school districts to provide a free and appropriate public education program for all handicapped children. Special education provides this education for children with a variety of handicapping conditions.

The following table shows total special education expenditures and the number of children enrolled in special education classes since fiscal 1982. The number of students is determined by a December 1 child count each year.

Table 1
Special Education - Students and Expenditures

<u>Fiscal Year</u>	<u>Number of Students</u>	<u>Expenditures</u>	<u>Expenditures per Student</u>	<u>Percent Change</u>
1982	13,906	\$23,245,210	\$1,672	---
1983	14,871	25,347,864	1,705	2.0
1984	15,132	26,197,563	1,731	1.5
1985	15,377	27,248,933	1,772	2.4
1986	14,859	27,450,020	1,847	4.2
1987	14,755	26,815,440	1,817	(1.6)
1988	14,784	27,352,686	1,850	1.8
1989	14,800*	27,361,646*	1,849	---
1990	14,800*	27,361,646*	1,849	---
1991	14,800*	27,361,646*	1,849	---

*Estimate

Current level includes funds sufficient to maintain the state contribution per student at the estimated fiscal 1989 level. School districts are supplementing this amount with additional district funds which are not equalized. The total allowable costs for fiscal 1989 were \$35.1 million, or \$7.3 million more than the state contribution of \$27.9 million, including the special education contingency.

Special Education Contingency

Special education contingency funds are granted to meet unexpected needs in district special education budgets and are awarded by the Office of Public Instruction as needed. The current level amount is \$500,000, compared to \$487,652 actually spent in fiscal 1988.

Transportation

School districts providing student transportation from home to school in excess of three miles are entitled to a statutory reimbursement based upon a rate per mile and upon bus size and occupancy. The state's share of this reimbursement totals one-third of the statutory rate for regular education and two-thirds of the statutory rate for special education students. However, the statutory rate does not provide for the full costs of transportation. The preliminary estimate of actual costs of transportation in fiscal 1988 is \$26.3 million. One-third of that amount is \$8.8 million, or \$2.5 million more than the statutory amount of \$6.3 million actually disbursed. Current level estimates the amount of reimbursement at \$6.3 million for each year of the next biennium.

School Foods

School Foods provides for the maintenance of effort required on federal school food reimbursements. Each state must expend up to 30 percent of the federal contribution in the 1980-81 school year. Allowances are given to those states where average income is below the national average. Montana's matching rate is expected to total approximately 23.93 percent or \$599,397 in each year of the next biennium.

Gifted and Talented

The Gifted and Talented Program was initiated in fiscal 1982 to provide funds to local districts to begin or maintain programs for gifted and talented students. Current level maintains the program at \$100,000 for each year of the biennium.

Adult Basic Education

Adult Basic Education provides high school level education to persons who wish to receive their high school equivalency degree. Funds are provided from 10 percent of the interest on the education trust fund, which is shared with the vocational technical centers. Current level is \$146,095 for each year of the 1991 biennium.

Impact Aid

Section 20-9-304, MCA, provides for supplementary payments from the state to school districts that provide education to children of employees of public institutions. Current level is \$5,000 for each year of the next biennium.

Federal Discretionary Grants

These funds are received from the U.S. Department of Education for use by local school districts in the manner prescribed by each federal act authorizing the grants. Because the Office of Public Instruction has discretion regarding the final grant recipients, these funds must be appropriated by the legislature. Current level is: 1) \$475,000 in fiscal 1990 and \$505,000 in fiscal 1991 for Education of the Handicapped; 2) \$470,000 each year of the biennium for Job Training Partnership Act; 3) \$525,208 each year of the biennium for Adult Basic Education; 4: \$150,000 each year of the biennium for the McKinney Homeless Act; and 5) \$50,000 each year of the biennium for preschool handicapped programs.

Vocational Education

The current level for the Commissioner of Higher Education includes \$2.3 million each year of the biennium for secondary vocational education. Chapter 658, Montana Session Laws 1987, Section 2 (House Bill 39) made the Board of Regents the sole agency for federal vocational education requirements. This section states that the Board of Regents shall contract with the Superintendent of Public Instruction for the administration and supervision of K-12 vocational education programs.

Traffic and Safety Education

The Office of Public Instruction makes grants to school districts with approved traffic safety programs. As provided in Section 20-7-504, MCA, a portion of revenue from highway fines and bond forfeitures related to traffic fines is deposited to the Traffic Safety Education account and statutorily appropriated for this purpose. The Office of Public Instruction is allowed to deduct administrative expenses, and the remainder is distributed to the schools. Current level is \$1.2 million for each year of the biennium. This money is statutorily appropriated.

STATE COUNCIL FOR VOCATIONAL EDUCATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	2.5	\$ -0-	\$265,068
LFA Current Level	<u>2.0</u>	<u>-0-</u>	<u>249,956</u>
Executive Over (Under) LFA	<u>0.5</u>	<u>\$ -0-</u>	<u>\$ 15,112</u>

The executive budget is \$15,112 more than LFA current level.

ISSUE 1: ADDITIONAL 0.50 FTE

The executive budget adds \$16,991 for an additional 0.50 FTE secretarial position.

ISSUE 2: VACANCY SAVINGS

The executive budget applies a 2 percent vacancy savings to this program. LFA current level applies the agency request of 4 percent vacancy savings for a difference of \$2,596 for the biennium.

ISSUE 3: OPERATING EXPENSES

The executive budget cuts contracted services, out-of-state travel, rent, and training fees for an operating expense reduction of \$4,475 for the biennium.

STATE COUNCIL ON VOCATIONAL EDUCATION

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1989-91
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Services	\$ 57,792	\$ 60,318	\$ 64,931	\$ 65,124	10.11
Operating Expenses	49,932	59,682	61,241	57,660	8.47
Equipment	<u>878</u>	<u>-0-</u>	<u>500</u>	<u>500</u>	<u>13.90</u>
Total Expenditures	<u>\$108,602</u>	<u>\$120,000</u>	<u>\$126,672</u>	<u>\$123,284</u>	<u>9.34</u>
<u>Fund Sources</u>					
Federal Revenue	<u>\$108,602</u>	<u>\$120,000</u>	<u>\$126,672</u>	<u>\$123,284</u>	<u>9.34</u>
<u>ISSUES</u>	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -		
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Additional 0.50 FTE	\$ -0-	\$7,657	\$ -0-	\$7,662	

Program Description

The Montana State Council on Vocational Education is responsible for providing leadership in vocational technical education and is mandated by the Carl Perkins Vocational Education Act (P.L. 98-524) for states desiring to participate in vocational education programs authorized under the act. The council is appointed by the Governor and consists of thirteen members representative of state citizens and groups having an interest in vocational education.

Budget

The current level budget provides a 9.34 percent increase from the 1989 biennium to the 1991 biennium. Personal services increase by 10.11 percent because the director's position was vacant for four months in fiscal 1988 resulting in expenditures for personal services in fiscal 1988 being \$3,206 less than budgeted. In addition, council responsibilities were increased in fiscal 1988 and upgrades were approved by the Department of Administration for both FTE positions. At the agency request, 4 percent vacancy savings is applied to the 1991 biennium personal services budget.

The current level operating expenses increase 8.47 percent in the 1991 biennium. The activities of the council were curtailed when the director's position was vacant, resulting in an \$8,192 difference between budgeted and actual operating expenses in fiscal 1988.

Current level equipment expenditures budgeted in the 1991 biennium are for miscellaneous office equipment and computer software updates as requested by the agency.

Funding

The Montana Council for Vocational Education is funded entirely from federal vocational education funds anticipated at \$120,000 for each year of the 1991 biennium. Fiscal 1989 expenditures are not projected to utilize total available federal funds so additional funds of \$68,672 will be available for allocation in the 1991 biennium.

ISSUE 1: MODIFIED REQUEST FOR AN ADDITIONAL 0.50 FTE

When the council responsibilities were expanded in January of 1988, some of the administrative duties previously handled by the director were assumed by the administrative assistant. A budget amendment for fiscal 1989 was approved for an additional 0.50 FTE to assume clerical duties that were formerly performed by the administrative assistant. The 0.50 secretarial FTE position is funded entirely from federal vocational education funds.

Option A: Continue the 0.50 FTE secretarial position in the 1991 biennium at a cost of \$7,657 in fiscal 1990 and \$7,662 in fiscal 1991. At the agency request, vacancy savings of 4 percent have been applied to this position.

Option B: Do not continue the 0.50 FTE secretarial position in the 1991 biennium.



HIGHER EDUCATION

BOARD OF REGENTS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	0.00	\$1,513,658	\$1,513,658
LFA Current Level	<u>0.00</u>	<u>55,953</u>	<u>1,503,926</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$1,457,705</u>	<u>\$ 9,732</u>

The executive budget general fund is \$1,475,705 higher than LFA current level, while total funds are only \$9,732 higher.

ISSUE 1: FUNDING OF VOCATIONAL TECHNICAL CENTER BOND PAYMENTS

The executive has funded the vo-tech bond payments for the Butte, Billings, and Great Falls centers using general fund of \$1,447,973, while LFA current level uses education trust funds, as was done in the 1989 biennium.

ISSUE 2: BOARD OF REGENTS LEVEL OF SUPPORT

The executive budget for the 1991 biennium is at the fiscal 1988 expended level for the Board of Regents which is \$4,996 above the fiscal 1988 appropriated level. LFA current level is presented at the 1988 appropriated level. Therefore, over the biennium, the executive budget has per diem costs of \$4,400 and travel of \$5,970 more than LFA current level.

BOARD OF REGENTS

<u>Budget Item</u>	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Personal Services	\$ 13,400	\$11,200	\$11,200	\$11,200	(8.94)
Operating Expenses	<u>19,547</u>	<u>11,808</u>	<u>16,751</u>	<u>16,802</u>	<u>7.01</u>
Total Operating Costs	\$ 32,947	\$23,008	\$27,951	\$28,002	0.00
Non-Operating Costs	<u>163,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.00)</u>
Total Expenditures	<u>\$195,947</u>	<u>\$23,008</u>	<u>\$27,951</u>	<u>\$28,002</u>	<u>(74.45)</u>
<u>Fund Sources</u>					
General Fund	<u>\$195,947</u>	<u>\$23,008</u>	<u>\$27,951</u>	<u>\$28,002</u>	<u>(74.45)</u>
		- - - Fiscal 1990 - - - -		- - - Fiscal 1991 - - - -	
<u>ISSUES</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Increased Operating Costs	\$9,885	\$ -0-	\$11,285	\$ -0-	
2. Merge Regents and CHE	-0-	-0-	-0-	-0-	
3. Vo-Tech Center Bond Payment	-0-	-0-	-0-	-0-	

Program Description

The Board of Regents consists of seven members who are responsible for supervision, coordination, management, and control of Montana's university system three community college and post-secondary vocational technical centers pursuant to the 1972 Montana Constitution, Article X, Section 9, Subsection (2).

Budget

Current level is presented at the 1989 biennium budgeted level which includes per diem for the regents for 224 meeting days each year. These 224 meeting days would allow all seven members to meet for 32 days. Operating expenses, which are mostly travel expenses for the regents to attend meetings, are also included at the 1989 biennium budgeted level of \$16,751 in fiscal 1990.

Table 1 compares fiscal 1988 actual expenditures and funding to appropriations made by the 1987 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1988

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
Meeting Days	224	268	44
Days/Member	32	38	6
Per Diem	\$11,200	\$13,400	\$ 2,200
Contracted Services	1,084	242	(842)
Supplies and Materials	374	164	(210)
Communications	1,576	724	(852)
Travel	10,743	17,644	6,901
Rent	-0-	16	16
Repair and Maintenance	-0-	-0-	-0-
Other	<u>2,974</u>	<u>757</u>	<u>(2,217)</u>
Total Operating	<u>\$27,951</u>	<u>\$32,947</u>	<u>\$ 4,996</u>

The Board of Regents overspent personal services by \$2,200 because there were 268 meeting days, or 44 more days than the 224 budgeted. Operating costs also exceeded the appropriated level by \$2,796 for the same reason. This difference resulted from over-expending travel by \$6,901 and spending less in the other categories. The regents requested approval for supplemental funding from the Governor to expend \$5,000 from the fiscal 1989 general fund appropriation in fiscal 1988 to cover the over-expenditures.

The Board of Regents was appropriated and expended as non-operating expenditures \$163,000 of general fund in fiscal 1988 to extend the University of Montana's Master of Business Administration degree to Billings via satellite. The degree is now offered with programs at Eastern Montana College and, therefore, the appropriation was for fiscal 1988 only and is not continued in the 1991 biennium.

ISSUE 1: INCREASED OPERATING COSTS

The Board of Regents is requesting operating cost increases for additional meeting days and for additional travel due to a change in the regents' membership. The current level budget includes these expenses at the 1989 biennium appropriated level with funding for 224 meeting days per year. Table 2 compares the fiscal 1988 and 1989 appropriation levels to the fiscal 1990 and 1991 requested.

Table 2
Comparison of 1991 Biennium Request to Current Level

	Fiscal 1988 Approp.	Fiscal 1990 Request	Diff. 88 Approp.	Fiscal 1989 Approp.	Fiscal 1991 Request	Diff. 89 Approp.
Meeting Days	224	350	126	224	378	154
Meeting Days/Member	32	50	18	32	54	22
Per Diem	\$11,200	\$17,500	\$ 6,300	\$11,200	\$18,900	\$ 7,700
Contracted Services	1,084	629	(455)	1,084	637	(447)
Supplies and Materials	374	169	(205)	374	175	(199)
Communications	1,576	796	(780)	1,633	833	(800)
Travel	10,743	17,987	7,244	10,743	17,987	7,244
Rent	-0-	16	16	-0-	16	16
Other	2,974	739	(2,235)	2,974	739	(2,235)
Total Operating	\$16,751	\$20,336	\$ 3,585	\$16,808	\$20,387	\$ 3,579
Total	\$27,951 =====	\$37,836 =====	\$ 9,885 =====	\$28,008 =====	\$39,287 =====	\$11,279 =====

As Table 1 shows, the Board of Regents actually experienced 268 meeting days in fiscal 1988, or 44 more than appropriated. In addition, the regents expended \$6,901 more for travel than appropriated. This increase is due to two factors: 1) a 20 percent increase in meeting days; and 2) the new regent appointed in fiscal 1988 lives approximately 275 miles from Helena, where most of the meetings occur. The regent who left the board lived in Helena.

The regents are seeking authority to increase meeting days to 350 in fiscal 1990 and 378 in fiscal 1991. This would increase per diem expenditures over the 1988 appropriated by \$6,300 in fiscal 1990 and \$7,700 in fiscal 1991. Travel costs would increase \$7,244 over the 1988 appropriated and \$343 over the fiscal 1988 actual expenditures. The agency's request cites increasing role and scope (such as control of vo-tech centers) as reason for the increase in meeting days. This request would require each regent to attend on the average 12 more meetings in fiscal 1990 than in fiscal 1988 and 16 more in fiscal 1991.

Option A: Approve additional meeting days as requested and appropriate additional general fund of \$9,885 in fiscal 1990 and \$11,285 in fiscal 1991.

Option B: Request the Board of Regents to consolidate its meeting with the university system and vo-tech centers and fund the meeting days at the fiscal 1988 appropriated level.

ISSUE 2: INCLUDE BOARD OF REGENTS ADMINISTRATION AS A PROGRAM IN THE OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION

During fiscal 1988 the Board of Regents overspent its budget by nearly \$5,000 as discussed in the narrative above. In June the Board of Regents

increased the general fund authority of its appropriation and decreased the general fund appropriation of the Office of the Commissioner of Higher Education, a separate agency. A report by staff to the Legislative Finance Committee on this transaction resulted in the Board of Regents reversing the transaction and seeking a general fund supplemental from the Governor.

The issue raised was that only the legislature can appropriate money to an agency and the Board of Regents' transaction constituted an appropriation. State law allows agencies to transfer up to 5 percent of its funds among programs but does not allow transfers between agencies. Had the Board of Regents and the Commissioner's Office been programs in a single agency, the transfer of funds could have been completed legally.

Option A: Appropriate the Board of Regents and the Office of the Commissioner of Higher Education budgets as a single agency.

Option B: Take no action.

VOCATIONAL-TECHNICAL EDUCATION CENTERS BOND PAYMENTS

	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1989-91
<u>Budget Item</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Biennium</u>
F.T.E.	0.00	0.00	0.00	0.00	0.00
Total Operating Costs	\$ -0-	\$ -0-	\$ -0-	\$ -0-	0.00
Non-Operating Costs	<u>792,778</u>	<u>661,912</u>	<u>730,905</u>	<u>717,068</u>	<u>(0.46)</u>
Total Expenditures	<u>\$792,778</u>	<u>\$661,912</u>	<u>\$730,905</u>	<u>\$717,068</u>	<u>(0.46)</u>
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
Federal and Other Revenue	<u>\$792,778</u>	<u>\$661,912</u>	<u>\$730,905</u>	<u>\$717,068</u>	<u>(0.46)</u>
	=====	=====	=====	=====	=====
	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -		
<u>ISSUES</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Vo-Tech Center Bond Repayment	\$ -0-	\$ -0-	\$ -0-	\$ -0-	

The Board of Regents was authorized in House Bill 39 to lease or purchase any building, land, and/or property at a vocational-technical center from the respective school districts. A total of \$1,454,690 was appropriated in House Bill 39 from the education trust to fund the estimated debt retirement for the 1989 biennium. The Board of Regents, through contacts with the school districts, used these funds to reduce the district's bonded indebtedness for facilities at Butte, Billings, and Great Falls. The Board of Regents acquired deeds to the facilities in Helena and Missoula for \$10 each.

The Board of Regents' 1991 biennium budget request includes a total of \$1,447,973 from the education trust. The current level is presented at the agency requested level, which is 0.5 percent less than the 1989 biennium.

An appropriation from the education trust requires a separate appropriation bill.

ISSUE 3: FUNDING FOR VO-TECH BOND PAYMENTS

The legislature, in House Bill 39, established the Board of Regents as the governing body of the post-secondary vocational-technical centers. The legislature provided for the long-term lease or purchase of vocational-technical center facilities from the school districts as stated below:

Section 20-16-108, MCA. Lease or purchase of property for vocational-technical center purposes. (1) The state of Montana, acting through the Board of Regents, may lease, for a term not to exceed 40 years, any building or lands for a vocational-technical center.

(2) The state of Montana, acting through the Board of Regents and on demand of a school district, shall lease or purchase the equity or interest of the school district in any building, land, or other property at a vocational-technical center on terms agreed to between the Board of Regents and the school district. A purchase may be by lump-sum payment, time payments, the assumption of bonded indebtedness, or any other mutually agreeable method. Money received by a school district from the lease or sale under this subsection (2) of the school district's equity or interest in a building, land, or other property must be credited to the debt service fund, building fund, general fund, or any combination of these funds, at the discretion of the trustees of the school district.

The legislature, through House Bill 39, has committed the state of Montana to lease or purchase the vocational-technical center facilities. Therefore, the Board of Regents has entered into agreements with the five school districts to acquire the vocational-technical center facilities in those districts. Three of the school districts have outstanding bonded indebtedness for the vocational-technical facilities in their districts while deeds have been acquired for the Helena and Missoula facilities.

During the 1987 session, the legislature appropriated \$1,454,690 from the education trust to fund the bond payments; however, it was for the 1989 biennium only. The Board of Regents' 1991 biennium request includes \$1,447,973 from the education trust to continue to fund these payments.

The issue here is the future funding source for the bond retirement for the Butte, Billings, and Great Falls vocational-technical center facilities and the appropriation method. The legislature has three basic fund sources available to fund these bond payments: 1) continue funding from the education trust; 2) the state general fund; or 3) a statewide mill levy.

The education trust fund balance is estimated to be in excess of \$8 million on July 1, 1989. Therefore, sufficient funds are available from the education trust in the 1991 biennium. However, it may be more desirable to designate a portion of the coal tax to pay the bond payments directly rather than deposit coal tax into the education trust, then appropriate from the trust.

The state general fund is used as a fund source for the state's general obligation bonds. The vocational-technical center bonded indebtedness could also be retired by the general fund.

The Board of Regents is expected to propose a statewide mill levy to replace the voted levy that currently funds a portion of the vo-tech centers. The bond payments could be included as part of any statewide levy. One mill statewide will result in approximately \$2 million per year in revenue. Therefore, it would require approximately 0.365 mills to fund the bond payments for the vocational-technical centers at Butte, Billings, and Great Falls.

It is not standard practice for the legislature to appropriate the amount required for retiring bonded indebtedness to individual agencies each biennium. Most bonded indebtedness of the state is retired through appropriation in statute.

Table 3 shows the amount of bonded indebtedness remaining for each vo-tech center, the number of years remaining under the current repayment schedules, and the estimated payments for the 1991 biennium.

Table 3
Vocational-Technical Centers Bonded Indebtedness

	<u>Butte</u>	<u>Billings</u>	<u>Great Falls</u>	<u>Total</u>
Years Remaining	9	10	5	---
Principal Balance	\$2,720,000	\$ 950,000	\$500,000	\$4,170,000
Interest Balance	<u>1,491,290</u>	<u>197,648</u>	<u>51,550</u>	<u>1,740,488</u>
Balance of Debt	\$4,211,290	\$1,147,648	\$551,550	\$5,910,488
1991 Biennium Payments	\$ 939,945	\$ 272,128	\$235,900	\$1,447,973

Option A: Designate a portion of the coal tax and provide an appropriation in statute to repay the bonded indebtedness for the vocational-technical centers at Butte, Billings, and Great Falls.

Option B: Write a bill to establish a statutory appropriation of general fund to retire the bonded indebtedness for the vocational-technical centers at Butte, Billings, and Great Falls.

Option C: Include the bond repayment for the vocational-technical centers at Butte, Billings, and Great Falls in a statewide mill levy and provide for an appropriation in statute to authorize the payments.

COMMISSIONER OF HIGHER EDUCATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	34.00	\$9,650,297	\$43,048,137
LFA Current Level	33.50	9,921,108	41,850,755
Executive Over (Under) LFA	<u>-0.50</u>	<u>\$ (270,811)</u>	<u>\$ 1,197,382</u>

The executive budget has \$1,197,382 more total funds than LFA current level but \$270,811 less in general fund.

ISSUE 1: STATE STUDENT INCENTIVE GRANT MATCH

The State Student Incentive Grant (SSIG) is a federally funded student assistance program that requires a dollar-for-dollar state match. The federal portion of the SSIG is estimated at \$220,000 each year of the 1991 biennium. The executive budget does not include general fund match for State Student Incentive Grants (SSIG) of \$220,000 each year of the 1991 biennium.

ISSUE 2: MINNESOTA RURAL DENTISTRY NEW SLOTS

Minnesota Rural Dentistry has six continuing and two new students at a total fiscal 1990 cost of \$93,600. The agency requested two new students each year of the 1991 biennium in the rural dentistry program. It also requested two new WICHE dentistry students each year and one new accelerated student in fiscal 1990. The 1987 legislature decided to allow no more than four new dentistry students in each year of the 1989 biennium due to documentation of an over supply of these professionals until at least the year 2000. LFA current level includes a total of four new dentistry students each year of the 1991 biennium, with two in WICHE and two in rural dentistry. The executive budget does not fund two new dentist slots in the Minnesota Rural Dentistry Program costing \$47,200 for the biennium, but provides \$69,600 more funding for WICHE slots.

ISSUE 3: HALF-TIME ATTORNEY POSITION

The executive budget includes a 0.50 FTE attorney position that is deleted from LFA current level, saving \$59,168 over the 1991 biennium. This position has remained vacant since the legislature reduced it to 0.50 FTE during special session III as part of the five percent cuts.

ISSUE 4: VACANCY SAVINGS

The executive budget includes vacancy savings at 2 percent while LFA current level includes vacancy savings that varies from no vacancy savings to 4

percent vacancy savings for an overall general fund difference of approximately \$24,000 for the biennium.

ISSUE 5: INSURANCE AND BONDS

The executive budget includes insurance and bond costs that are nearly \$30,000 per year more than LFA current level. These costs, as quoted by the Tort Claims Division of the Department of Administration, increased from \$5,475 in fiscal 1988 to \$35,291 in fiscal 1990. The Tort Claims Division could not give a reason for the increase; therefore, it is not included in current level.

ISSUE 6: GUARANTEED STUDENT LOAN PROGRAM MODIFIED

The executive budget includes \$1,671,856 of other funds for the Guaranteed Student Loan Program modified request. LFA current level presents this modified as an issue.

COMMISSIONER OF HIGHER EDUCATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	33.85	33.85	33.50	33.50	(0.35)
Personal Services	\$ 1,017,767	\$ 1,106,220	\$ 1,117,822	\$ 1,119,437	5.33
Operating Expenses	1,569,088	1,455,119	1,139,597	955,534	(30.72)
Equipment	71,440	14,000	16,131	3,716	(76.77)
Total Operating Costs	\$ 2,658,295	\$ 2,575,339	\$ 2,273,550	\$ 2,078,687	(16.84)
Non-Operating Costs	14,501,911	15,624,275	18,051,445	19,447,073	24.47
Total Expenditures	<u>\$17,160,206</u>	<u>\$18,199,614</u>	<u>\$20,324,995</u>	<u>\$21,525,760</u>	<u>18.36</u>
Fund Sources					
General Fund	\$ 4,518,479	\$ 4,863,779	\$ 4,968,659	\$ 4,952,449	5.74
State Special	683,164	254,329	324,000	410,000	(21.71)
Federal Revenue	3,936,092	3,876,168	5,557,336	5,388,311	40.11
Other	8,022,471	9,205,338	9,475,000	10,775,000	17.54
Total Funds	<u>\$17,160,206</u>	<u>\$18,199,614</u>	<u>\$20,324,995</u>	<u>\$21,525,760</u>	<u>18.36</u>

Program Description

The Commissioner of Higher Education is the chief administrative officer of the university system, appointed by the Board of Regents as provided by Article X, Section 9, Subsection (2) of the 1972 Constitution. The Commissioner and agency personnel are responsible for providing research, leadership, technical assistance, and staff support to the Board of Regents and higher education agencies to enable coordination, consistent regulations and management, evaluation of policies and programs, and long-range planning. The agency provides budgetary planning and funds distribution for the system, as well as administration for both the state and federal student financial assistance programs. The Commissioner's duties also include serving as secretary to the Board of Regents, participating as a nonvoting member of the state Board of Education, and appointing a librarian to the state Library Commission.

The seven current level programs in this agency are Administration, Student Assistance, Education for Economic Security, Montana University System Group Insurance, Talent Search, Vo-Tech Administration, and Guaranteed Student Loan.

Budget

The Office of the Commissioner of Higher Education current level budget increases 18.4 percent over the 1989 biennium. Personal services increase 5.3 percent as a result of: 1) vacancy savings realized during fiscal 1988 in both the Administration Program and the Vo-Tech Administration Program; 2) increased salary costs for the director of the Vo-Tech Administration Program; and 3)

increased salaries for three positions in the Guaranteed Student Loan Program. Operating costs decrease 30.7 percent primarily due to the change in the Guaranteed Student Loan Program to local loan processing. Non-operating costs increase 24.5 percent due to increases in Student Assistance, the Montana University System Group Insurance Program claims, and transfer to secondary vocational education in the Vo-Tech Administration Program.

Funding

The general fund increase is primarily due to Student Assistance programs (WAMI and WICHE). The Board of Regent's state special revenue from interest on the coal tax trust decreases 21.7 percent from the 1989 biennium. Federal and other revenue increases 40.1 percent primarily due to including secondary vocational education Carl Perkins grants in the Vo-Tech Administration Program as transfers. Other revenue increases 17.5 percent as insurance claims in the Montana University System group insurance program are expected to increase.

ADMINISTRATION					
<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - -</u>		<u>% Change 1989-91 Biennium</u>
			<u>Fiscal 1990</u>	<u>Fiscal 1991</u>	
F.T.E.	14.40	14.40	13.90	13.90	(0.50)
Personal Services	\$510,086	\$570,209	\$537,377	\$538,345	(0.42)
Operating Expenses	260,315	203,895	231,706	216,841	(3.37)
Equipment	6,493	-0-	7,465	1,629	40.06
Total Expenditures	\$776,894 =====	\$774,104 =====	\$776,548 =====	\$756,815 =====	(1.14) =====
<u>Fund Sources</u>					
General Fund	\$776,894 =====	\$774,104 =====	\$776,548 =====	\$756,815 =====	(1.14) =====

Program Description

The Administration budget provides funding for the major functions of the commissioner's office, including coordination of university system units with regard to academic planning and curriculum review; budgetary planning and funds distribution; legal services; and labor negotiation policies and procedures. This budget also provides staff support and supplies for the Student Assistance Program.

Budget

The Administration program experienced 14.6 percent vacancy savings during fiscal 1988 for a total of \$87,015, compared with a budgeted vacancy savings of \$26,740, or 4 percent. The program had three positions, or 1.35 FTE, vacant the entire year saving \$55,729 while numerous position turnovers produced an additional \$29,958 in salary savings. A 0.50 FTE lawyer position was one of the

1.35 FTE vacant positions. This position was vacant in the 1987 biennium when the other half of the position was deleted during Special Session III of the 49th Legislature as part of the 5 percent cuts. The position has been vacant since fiscal 1987; therefore, the remaining 0.50 FTE has been deleted in the current level budget.

A grade 11 administrative secretary II position was downgraded to a grade 10 administrative secretary I saving \$1,181 in annual salary costs and a legal secretary II grade 9 was upgraded to a paralegal assistant grade 11, costing an additional \$2,263 annually. The net increased cost for these two positions was \$2,566 with benefits for the biennium, which will be absorbed in other parts of the budget. The current level includes a 4 percent vacancy savings rate, plus a reduction of \$1,283 each year to adjust for the effect of the upgrade for a total vacancy savings of \$23,727 in fiscal 1990 and \$23,768 in fiscal 1991.

The administration program expended \$41,806 of the excess vacancy savings in operating expenses. The administration program was appropriated \$216,777 for operating expenses in fiscal 1988 and spent \$260,315, or \$43,538 more than the appropriation. The \$41,806 of operating expenses made as a result of excess vacancy savings and \$1,732 of University Funding Study operating expenditures have been removed from the base.

Legislative audit fees increase \$3,539 from \$13,308 in fiscal 1988 to \$16,847 in fiscal 1990. Building rent increases \$3,063 each year due to the expansion of the Administration Program into more space. Computer maintenance costs increase \$3,295 per year after the addition of new computer terminals and personal computers during the 1989 biennium.

Equipment is included at the agency requested level of \$7,465 in fiscal 1990 and \$1,629 in fiscal 1991. This amount is significantly less than the three-year average equipment expenditures of \$14,414. The Commissioner's Office will replace some computer equipment and software, two typewriters, two transcribers, an overhead projector, and purchase four additional file cabinets.

Funding

This program is funded entirely with general fund which decreases 1.14 percent from the 1989 biennium to the 1991 biennium.

STUDENT ASSISTANCE

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
Paul Douglas	\$ 45,610	\$ 50,000	\$ 82,728	\$ 82,728	73.05
WICHE Dues	59,000	62,000	65,100	68,400	10.33
WICHE Assistance	1,779,668	1,586,668	1,664,400	1,657,667	(1.32)
WAMI	1,884,790	1,991,721	2,057,872	2,152,280	8.61
MN Rural Dentistry	90,400	69,000	93,600	95,200	18.44
Student Incentive Grants	419,394	420,000	440,000	440,000	4.84
NDSL (Perkins Loan)	53,981	55,000	55,000	55,000	0.94
Work Study	276,450	276,450	276,450	276,450	0.00
Total Expenditures	\$4,609,293	\$4,510,839	\$4,735,150	\$4,827,725	4.85
Fund Sources					
General Fund	\$3,671,125	\$3,996,510	\$4,108,422	\$4,114,997	7.25
State Special	683,164	254,329	324,000	410,000	(21.71)
Federal Revenue	255,004	260,000	302,728	302,728	17.56
Total Funds	\$4,609,293	\$4,510,839	\$4,735,150	\$4,827,725	4.85
ISSUES					
	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. State Work Study	\$24,863	\$ -0-	\$24,863	\$ -0-	

Program Description

The Student Assistance Program includes interstate student assistance through the Western Interstate Commission for Higher Education (WICHE); the Washington, Alaska, Montana, and Idaho (WAMI) medical education program; and the Minnesota Rural Dentistry (MRD) education program. It also includes the State Student Incentive Grants Program (SSIG), which receives federal matching funds, the Perkins Loan Fund (formerly the National Direct Student Loan Program), the Paul Douglas Teacher Scholarship Program, and the state-funded College Work Study Program.

Budget

Table 1 shows the fiscal 1990 and 1991 student slots for the three interstate student assistance programs, the average costs per slot, and the total costs.

Table 1
Interstate Student Assistance Programs - Fiscal 1990 and 1991

----- FISCAL 1990 -----						
Program	Continuing Students	New Students	Cost/Slot	Cost Continuing	Cost New	Total Cost
WICHE						
Administrative Dues						\$ 65,100
Student Assistance:						
Medicine	19	5	\$22,800	\$ 433,200	\$114,000	\$ 547,200
Osteopathic Medicine	3	2	10,500	31,500	21,000	52,500
Dentistry*	10	2	11,700	117,000	27,300	144,300
Veterinary Medicine	32	10	18,400	588,800	184,000	772,800
Optometry	12	3	6,400	76,800	19,200	96,000
Occupational Therapy	3	1	4,200	12,600	4,200	16,800
Podiatry	2	1	7,200	14,400	7,200	21,600
Public Health	<u>2</u>	<u>1</u>	<u>4,400</u>	<u>8,800</u>	<u>4,400</u>	<u>13,200</u>
Subtotal	83	25		\$1,283,100	\$381,300	\$1,729,500
Minnesota Dentistry	6	2	\$11,700	\$ 70,200	\$ 23,400	\$ 93,600
WAMI Medicine	<u>60</u>	<u>20</u>	<u>\$34,298</u>	<u>2,057,872</u>	<u>-0-</u>	<u>2,057,872</u>
Total	<u>149</u> ===	<u>47</u> ==		<u>\$3,411,172</u> =====	<u>\$404,700</u> =====	<u>\$3,880,972</u> =====
----- FISCAL 1991 -----						
WICHE						
Administrative Dues						\$ 68,400
Student Assistance:						
Medicine	17	5	\$22,800	\$ 387,600	\$114,000	\$ 501,600
Osteopathic Medicine	3	2	10,700	32,100	21,400	53,500
Dentistry**	9	2	11,900	111,067	23,800	134,867
Veterinary Medicine	31	10	19,400	601,400	194,000	795,400
Optometry	13	3	6,500	84,500	19,500	104,000
Occupational Therapy	4	1	4,300	17,200	4,300	21,500
Podiatry	3	1	7,300	21,900	7,300	29,200
Public Health	<u>3</u>	<u>1</u>	<u>4,400</u>	<u>13,200</u>	<u>4,400</u>	<u>17,600</u>
Subtotal	83	25		\$1,268,967	\$388,700	\$1,726,067
Minnesota Dentistry	6	2	\$11,900	\$ 71,400	\$ 23,800	\$ 95,200
WAMI Medicine	<u>60</u>	<u>20</u>	<u>35,871</u>	<u>2,152,280</u>	<u>-0-</u>	<u>2,152,280</u>
Total	<u>149</u> ===	<u>47</u> ==		<u>\$3,492,647</u> =====	<u>\$412,500</u> =====	<u>\$3,973,547</u> =====

*There is an additional charge of \$3,900 for 1 new accelerated student.

**There is an additional charge of \$3,967 for 1 continuing accelerated student.

Interstate Student Aid. In fiscal 1990 there is a total of 196 students, comprised of 149 continuing and 47 new enrollees. The WICHE program includes 108 slots, 83 continuing and 25 new students, at a total cost of \$1,729,500 which

includes administrative dues of \$65,100. By comparison, in fiscal 1989, there were 84 continuing and 27 new WICHE students for a total of 111. In fiscal 1988 there were 121 WICHE students. As shown in Table 2, the average fiscal 1990 cost of all WICHE slots increases by 7.0 percent. The cost per slot increases for seven of the eight fields, ranging from a 1.4 percent increase in podiatry to a 41.9 percent increase in public health. There are additional fiscal 1991 increases for all fields except medicine and public health.

Table 2
Cost Changes in Interstate Slots: Fiscal 1989-1991

<u>WICHE</u>	<u>FY 1989 Cost/Slot</u>	<u>FY 1990 Cost/Slot</u>	<u>FY 1989-90 % Increase</u>	<u>FY 1991 Cost/Slot</u>	<u>FY 1989-91 % Increase</u>
Medicine	\$22,800	\$22,800	0.0	\$22,800	0.0
Osteopathic Medicine	10,300	10,500	1.9	10,700	3.9
Dentistry	11,500	11,700	1.7	11,900	3.5
Veterinary Medicine	17,500	18,400	5.1	19,400	10.9
Optometry	6,300	6,400	1.6	6,500	3.2
Occupational Therapy	4,100	4,200	2.4	4,300	4.9
Podiatry	7,100	7,200	1.4	7,300	2.8
Public Health	3,100	4,400	41.9	4,400	41.9
WICHE Subtotal			7.0		8.9
Minnesota Dentistry	11,500	11,700	1.7	11,900	3.5
WAMI	33,195	34,298	3.3	35,871	8.1

Minnesota Rural Dentistry has six continuing and two new students at a total fiscal 1990 cost of \$93,600. The agency requested two new students each year of the 1991 biennium in the rural dentistry program; it also requested two new WICHE dentistry students each year and one new accelerated student in fiscal 1990. The 1987 legislature decided to allow a total of four new dentistry students in each year of the 1989 biennium due to documentation of an oversupply of these professionals until at least the year 2000. Therefore, current level includes a total of four new dentistry students each year of the 1991 biennium, with two in WICHE (one is an accelerated student), and two in rural dentistry. The 1987 legislature included language in the appropriations bill, granting transfer authority for these four dentistry students between WICHE and rural dentistry. The cost per slot is the same in both programs.

The WAMI medical students include 60 continuing at the University of Washington School of Medicine at a total fiscal 1990 cost of \$2,057,872, plus 20 first-year students enrolled at Montana State University. The cost of the WAMI program increases 3.3 percent in fiscal 1990 and 4.6 percent in fiscal 1991.

Federal Student Aid. The State Student Incentive Grants Program (SSIG) and the Perkins Loan Fund (formerly the National Direct Student Loan Program) are the two federally-funded assistance components. Student incentive grants are \$440,000 each year of the biennium. This total includes \$220,000 of general fund in fiscal 1990 and \$220,000 in fiscal 1991, with \$220,000 federal match each year. Because these funds require a dollar-for-dollar state match, if the federal funds

are reduced, any general fund balance would revert. The commissioner's office allocates these incentive grant funds to post-secondary institutions in Montana based on enrollment and each campus financial aid office makes the student awards. The average grant is nearly \$600, which is the maximum allowed by federal regulations.

The direct student loan program is continued with a \$55,000 general fund appropriation each year of the biennium. Federal matching funds, which are awarded directly to colleges and universities throughout the state, are projected to be \$550,000. The purpose of this program is to provide short-term loans at low interest rates to help students with cash flow and expenses while they remain in college. Before the state fiscal year begins, each campus reports to the commissioner's office on the amount of loan funds available and general fund match is distributed accordingly before the school year begins. If the campuses have more loan monies available than anticipated, as occurred in fiscal 1985, then the state matching funds are prorated. If less federal money is appropriated, then the general fund reverts.

State Work Study. This student aid program is included at the 1989 biennium appropriated level of \$276,450 general fund each year of the biennium. State work study is designed to enable the six units and the community colleges to employ students part-time. The commissioner's office proposed in its request to add the vo-techs to the state work study program as discussed in Issue 1. The general fund appropriation is allocated to the institutions based on enrollment and each campus provides 30 percent matching funds.

EDUCATION FOR ECONOMIC SECURITY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$ 176	\$ 1,364	\$ 1,576	\$ 1,576	104.68
Total Operating Costs	\$ 176	\$ 1,364	\$ 1,576	\$ 1,576	104.68
Non-Operating Costs	115,423	56,636	159,985	159,985	85.97
Total Expenditures	\$115,599 =====	\$58,000 =====	\$161,561 =====	\$161,561 =====	86.13 =====
<u>Fund Sources</u>					
Federal Revenue	\$115,599 =====	\$58,000 =====	\$161,561 =====	\$161,561 =====	86.13 =====

Program Description

Education for Economic Security is designed to upgrade the teaching skills of educators in the mathematics and science disciplines through Title II of the Education for Economic Security Act. As required by the federal act, the offices of the Commissioner of Higher Education and the Superintendent of Public

Instruction have completed a statewide needs assessment on the teaching of mathematics, science, computer learning, and foreign languages in Montana. Competitive proposals designed to respond to the priority needs are submitted annually by post-secondary institutions in the state, and grants are awarded based on the decisions of a review panel.

Since 1985, the Office of the Commissioner of Higher Education has been granted federal dollars under the Education for Economic Security Act (EESA). The purpose of this grant is to provide awards to all institutions of higher education within the state, on a competitive basis, for the purpose of training and retraining teachers. The priorities of the grant are:

1. In-service training for elementary, secondary, and vocational school teachers to improve their teaching skills in the fields of mathematics and science.
2. Retraining teachers who are currently teaching without proper certification in mathematics and science.
3. Retraining teachers who are currently teaching in other disciplines to specialize in teaching mathematics and science.
4. Traineeship programs for new teachers who will specialize in mathematics and science.

Budget

This program is included at the agency requested level. The program increases 86 percent over the 1989 biennium due to an increase in federal funds available to Montana. These funds were estimated at \$58,000 per year for the 1989 biennium. However, the Commissioner's Office received notification during fiscal 1988 that additional grant funds were awarded. Budget amendments were approved for both fiscal 1988 and 1989 increasing the total authorized to \$126,890 and \$161,561 respectively. The current level is continued at \$161,561 for fiscal 1990 and 1991.

The EESA grant allows up to 5 percent for grant administration. The current level includes \$1,576 per year for administrative costs.

MONTANA UNIVERSITY SYSTEM GROUP INSURANCE PROGRAM

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	2.50	2.50	2.50	2.50	0.00
Personal Services	\$ 64,165	\$ 74,429	\$ 66,961	\$ 67,023	(3.33)
Operating Expenses	338,799	399,109	308,039	307,977	(16.52)
Equipment	1,174	-0-	-0-	-0-	(100.00)
Total Operating Costs	\$ 404,138	\$ 473,538	\$ 375,000	\$ 375,000	(14.55)
Non-Operating Costs	7,618,333	8,731,800	9,100,000	10,400,000	19.27
Total Expenditures	<u>\$8,022,471</u>	<u>\$9,205,338</u>	<u>\$9,475,000</u>	<u>\$10,775,000</u>	<u>17.54</u>
<u>Fund Sources</u>					
Other	<u>\$8,022,471</u>	<u>\$9,205,338</u>	<u>\$9,475,000</u>	<u>\$10,775,000</u>	<u>17.54</u>

Program Description

The Board of Regents is responsible for providing university system employees with group benefits pursuant to Sections 2-18-808 and 809, 20-2-114, and Title 20, Chapter 25, MCA. Board of Regents' guidelines for the partially self-insured group insurance program are contained in policy item 51-901-R0696, which states that administrative costs shall not exceed the amount of premium tax savings that would be incurred under a conventional group plan plus any interest earned on reserves. There is an advisory committee comprised of faculty and staff to oversee and assess this program which is renewed through competitive bids each biennium.

Budget

The total program increases 17.5 percent over the 1989 biennium. This increase results from an increase in claims and premiums of 19.3 percent, while operating costs decrease 14.6 percent. Included in operating costs are the Wellness Program funds, which are paid by employees as part of the premiums and returned to the campuses for health promotion and risk-reduction activities.

Personal services are included at the agency requested level which decreases 3.3 percent from the 1989 biennium to the 1991 biennium. A 4 percent vacancy savings rate is applied to this program, saving \$2,790 in fiscal 1990 and \$2,793 in fiscal 1991.

Operating expenses are included at the agency requested level which decreases 16.5 percent from the 1989 biennium. The program expended \$326,336 on Wellness Program activities in fiscal 1988. Wellness funds total \$340,000 in fiscal 1989, while the program is requesting \$301,337 in fiscal 1990 and \$301,336 in fiscal 1991.

Non-operating costs consist of claims and insurance premiums which are included at the agency requested level. Minimum premiums are \$1,100,000 for fiscal 1990 and \$1,560,000 for fiscal 1991, for an increase of 41.8 percent during the 1991 biennium. Claims are requested at \$8,000,000 in fiscal 1990 and \$8,840,000 for fiscal 1991, for an increase of 10.5 percent during the 1991 biennium. Based on agency projections, the program's fiscal 1989 reserves will be less than the required \$2,800,000 by \$1,749,783 and will run out of reserves in fiscal 1990. This is discussed in detail under group health insurance issues in the front of this book.

TALENT SEARCH

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	6.00	6.00	6.15	6.15	0.15
Personal Services	\$130,368	\$121,731	\$136,067	\$136,141	7.98
Operating Expenses	<u>38,737</u>	<u>51,886</u>	<u>43,564</u>	<u>44,058</u>	(3.31)
Total Expenditures	<u>\$169,105</u>	<u>\$173,617</u>	<u>\$179,631</u>	<u>\$180,199</u>	<u>4.99</u>
Fund Sources					
Federal Revenue	<u>\$169,105</u>	<u>\$173,617</u>	<u>\$179,631</u>	<u>\$180,199</u>	<u>4.99</u>

Program Description

Talent Search is a federal program which provides career and financial aid counseling to students who are low income, physically handicapped, or culturally deprived and who need to complete high school or who plan to enroll in post-secondary education. The program has six service coordinators, one each for Blackfeet, Crow, Flathead, Fort Peck, Great Falls, and Northern Cheyenne. These coordinators provide personal counseling, financial aid assistance, academic counseling, and career planning one-to-one and in small groups.

Budget

The current level includes a 0.15 FTE increase to one of the coordinator positions which has been a 0.68 FTE, while all other coordinator positions are 0.83 FTE. Personal services costs increase approximately \$4,400 each year of the 1991 biennium due to the increased FTE. Personal services costs increased in fiscal 1988 by \$8,569 as a result of equity adjustments for all employees on Board of Regents' contracts. This is an average 75 cents per hour additional compensation for each employee. A 3 percent vacancy savings rate is applied for savings of \$4,208 in fiscal 1990 and \$4,210 in fiscal 1991. The program experienced savings of \$2,983, or 2.4 percent in fiscal 1988.

Operating costs are included at the agency requested level.

Funding

This program is funded entirely by a federal grant from the United States Department of Education under the authority of Public Law 99-498 as amended.

VO-TECH ADMINISTRATION

<u>Budget Item</u>	<u>Actual Fiscal 1988</u>	<u>Appropriated Fiscal 1989</u>	<u>- - - Current Level - - - Fiscal 1990</u>	<u>Fiscal 1991</u>	<u>% Change 1989-91 Biennium</u>
F.T.E.	5.00	5.00	5.00	5.00	0.00
Personal Services	\$ 144,168	\$ 167,635	\$ 187,113	\$ 187,380	20.11
Operating Expenses	25,510	74,695	33,687	33,894	(32.56)
Equipment	8,861	4,000	6,579	-0-	(48.85)
Total Operating Costs	\$ 178,539	\$ 246,330	\$ 227,379	\$ 221,274	5.60
Non-Operating Costs	2,158,861	2,325,000	4,056,310	4,059,363	81.00
Total Expenditures	\$2,337,400 =====	\$2,571,330 =====	\$4,283,689 =====	\$4,280,637 =====	74.47 =====
<u>Fund Sources</u>					
General Fund	\$ 70,459	\$ 93,165	\$ 83,689	\$ 80,637	0.43
Federal Revenue	2,266,941	2,478,165	4,200,000	4,200,000	77.02
Total Funds	\$2,337,400 =====	\$2,571,330 =====	\$4,283,689 =====	\$4,280,637 =====	74.47 =====

Program Description

The Board of Regents is the sole state agency for federal vocational education requirements. Therefore, all federal vocational education funds are received by the Board of Regents through the Deputy Commissioner of Vo-Tech Center Education for distribution to: 1) the Office of Public Instruction through the transfer process for distribution to secondary education grantees; and 2) post-secondary grantees through the request-for-proposal (RFP) process.

Governance of the vocational-technical centers was transferred from the Office of Public Instruction to the Board of Regents. A Deputy Commissioner of Vocational-Technical Center Education was appointed in the commissioner's office. The deputy commissioner is the chief administrative officer for the Board of Regents for its vocational-technical center rules, policies, and staff.

Budget

Overall the budget increases 74.5 percent over the 1989 biennium. Most of this increase is in the non-operating expense category for grants and transfers. The changeover of governance to the Board of Regents is in the implementation stage during the 1989 biennium. The transfers category of non-operating costs was budget amended for fiscal 1988 and 1989 for new federal funds received which

does not reflect the full amount of secondary vocational education in fiscal 1989. The total amount for grants and transfers are reflected in the fiscal 1990 and 1991 request.

Personal services increase 20.1 percent over the 1989 biennium due to: 1) vacancy savings achieved in fiscal 1988, the first year of this program; 2) an increase in salary of approximately \$15,000 for the program director position; and 3) no vacancy savings applied in the current level budget.

Total operating costs increase 5.6 percent over the biennium with the general fund portion of these costs increasing less than 1 percent.

Funding

Funding for this program includes federal Carl Perkins Vocational Education grants. Of the total \$4.2 million per year, approximately \$1.8 million is for post-secondary vo-tech grants and \$2.3 million is for secondary vocational education transfers to the Office of Public Instruction for distribution. The remaining \$144,000 per year supports administrative costs.

GUARANTEED STUDENT LOAN					
Budget Item	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990	- - - Current Level - - - Fiscal 1991	% Change 1989-91 Biennium
F.T.E.	5.95	5.95	5.95	5.95	0.00
Personal Services	\$ 168,980	\$172,216	\$190,304	\$190,548	11.62
Operating Expenses	905,551	724,170	521,025	351,188	(46.48)
Equipment	54,912	10,000	2,087	2,087	(93.57)
Total Expenditures	\$1,129,443 =====	\$906,386 =====	\$713,416 =====	\$543,823 =====	(38.24) =====
Fund Sources					
Federal Revenue	\$1,129,443 =====	\$906,386 =====	\$713,416 =====	\$543,823 =====	(38.24) =====
ISSUES					
	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. Loan Processing	\$ -0-	\$860,238	\$ -0-	\$831,566	

Program Description

The Guaranteed Student Loan Program, established in 1979 by the legislature, allows eligible students to receive loans from lender institutions which are guaranteed by the federal government. The federal government also advances start-up money and makes administrative cost reimbursements to the program.

Budget

Personal services costs increase 11.6 percent from the 1989 biennium to the 1991 biennium. Three upgrades costing approximately \$16,000 per year plus benefits account for this difference. The program director salary increased \$12,639, an administrative assistant I was increased from a grade 9 to a grade 11 program assistant II costing \$2,263, and a word processing operator II, grade 7 was increased to a word processing operator III, grade 8 costing \$888. Vacancy savings is 3.9 percent.

Operating costs decrease 46.5 percent from the 1989 biennium to the 1991 biennium. This decrease results as the program converts from contracted processing of loans to in-house processing as discussed in Issue 1.

Expenditures for equipment are 93.6 percent less than in the 1989 biennium. The program spent \$54,912 for equipment in fiscal 1988, primarily for new equipment to start up the new loan processing. The 1991 biennium current level request is less than the three-year average for equipment expenditures.

Funding

This program is funded with a combination of program fees and federal administrative allowance payments from the United States Department of Education under the Higher Education Act of 1965 as amended.

ISSUE 1: LOAN PROCESSING

During fiscal year 1988, the Montana Guaranteed Student Loan Program began the process of placing the guaranteed student loan processing function within the Commissioner of Higher Education's office as approved by the Board of Regents. Prior to this year, United Student Aid Funds (USA Funds) handled all processing as a contracted service. As of April 1, 1988, all guaranteed student loans will be processed in Helena through a remote telecommunications link with USA Funds, Inc. in Indianapolis, which is Phase I of implementation of the student loan processing service. Phases II and III will be implemented during fiscal year 1989, at which time the GSL Program anticipates hiring 13 additional employees.

The expansion was implemented by budget amendment in the 1989 biennium. Table 3 shows the fiscal year 1988 actual expenditures, the fiscal 1989 approved budget amendment, and the requested 1991 biennium expenditures and funding.

Table 3
Guaranteed Student Loan Processing Including Expansion

	Actual FY88	BA FY89	- - - Requested FY90	- - - FY91
<u>FTE</u>	1.06	9.93	27.00	27.00
Personal Services	\$ 15,432	\$ 205,107	\$ 511,138	\$ 511,466
Operating Expense	48,194	-0-	34,100	37,100
Equipment	<u>43,218</u>	<u>45,000</u>	<u>55,000</u>	<u>23,000</u>
Total Operating	\$ 106,844	\$ 250,107	\$ 600,238	\$ 571,566
<u>Other Operating Expense</u>				
Reinsurance	\$ 98,032	\$ 160,000	\$ 160,000	\$ 160,000
Default Expense	<u>92,982</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Other Operating	\$ <u>191,014</u>	\$ <u>260,000</u>	\$ <u>260,000</u>	\$ <u>260,000</u>
Total Expansion Cost	\$ 297,858	\$ 510,107	\$ 860,238	\$ 831,566
Base Cost	<u>831,585</u>	<u>906,386</u>	<u>713,416</u>	<u>543,823</u>
TOTAL COST	<u><u>\$1,129,443</u></u>	<u><u>\$1,416,493</u></u>	<u><u>\$1,573,654</u></u>	<u><u>\$1,375,389</u></u>

The Commissioner's Office is requesting authority for 27 additional FTE and a total increase in program costs of \$860,238 in fiscal 1990 and \$831,566 in fiscal 1991. Listed separately in the table are reinsurance fees of \$160,000 and default expenses of \$100,000 each year.

The reinsurance is 0.25 percent of the administrative cost allowance paid by the U.S. Department of Education for program operations. The reinsurance rate doubles to 0.5 percent if the annual loan default rate exceeds 5 percent of loans in repayment for the fiscal year. The program is estimating the default rate to exceed 5 percent of loans in repayment.

The default expense is the discount on the amount that the U.S. Department of Education reimburses the Guaranteed Student Loan Program for defaulted loans. The program receives 100 percent reimbursement if its default rate is less than 5 percent, 90 percent reimbursement if its default rate is greater than 5 but less than 10 percent, and 80 percent reimbursement if the default rate exceeds 10 percent. The program is estimating the default rate to exceed 5 percent; therefore, its reimbursement will be 90 percent. The 10 percent discount will be written off as default expense.

The default rate exceeded 5 percent for the first time during the 1989 biennium. The increased reinsurance fees of \$156,000 in fiscal 1988 and \$160,000 in fiscal 1989 required the program to request a budget amendment for each year to cover these costs. The same is true for the default expense of \$100,000 each

year. These costs have no relationship to the conversion to local loan processing, but are included in the program modified request.

The Guaranteed Student Loan Program costs increase 15.8 percent as a result of converting to local loan processing. The majority of this increase results from the addition of 27 FTE costing over \$511,000 each year. Other start-up costs included are telephone add/move/change costs of \$1,600 per year and equipment costs of \$55,000 in fiscal 1990 and \$23,000 in fiscal 1991. The remaining costs of \$25,500 in fiscal 1990 and \$28,500 in fiscal 1991 are ongoing communication, travel, and maintenance costs.

Option A: Approve the modified request which would appropriate \$860,238 in fiscal 1990 and \$831,566 in fiscal 1991 in federal funds for this expansion.

Option B: Take no action.

COMMUNITY COLLEGES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	0.00	\$6,094,305	\$6,094,305
LFA Current Level	<u>0.00</u>	<u>6,050,078</u>	<u>6,050,078</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ 44,227</u>	<u>\$ 44,227</u>

The executive budget includes general fund of \$44,227 more than LFA current level.

ISSUE 1: FTE STUDENT ENROLLMENT

The executive budget includes 7.00 more FTE students than LFA current level, costing \$24,476 for the 1991 biennium.

ISSUE 2: FISCAL 1991 COST FACTOR

The executive budget includes a cost factor in fiscal 1991 that is \$55 per student higher than LFA current level and costs an additional \$45,672 in fiscal 1991.

ISSUE 3: AUDIT COSTS

The executive budget did not include the funding for audit costs, while LFA current level includes \$25,920 in fiscal 1990.

COMMUNITY COLLEGES

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
Dawson	\$ 699,792	\$ 699,264	\$ 688,674	\$ 680,034	(2.17)
Flathead Valley	1,622,024	1,622,292	1,636,177	1,627,537	0.60
Miles City	724,926	720,242	713,148	704,508	(1.90)
Total State Support	<u>\$3,046,742</u>	<u>\$3,041,798</u>	<u>\$3,037,999</u>	<u>\$3,012,079</u>	<u>(0.63)</u>
<u>Fund Sources</u>					
General Fund	<u>\$3,046,742</u>	<u>\$3,041,798</u>	<u>\$3,037,999</u>	<u>\$3,012,079</u>	<u>(0.63)</u>

Program Description

The state's three community colleges--Dawson in Glendive, Flathead Valley in Kalispell, and Miles in Miles City--are organized in accordance with the provisions of Title 20, Chapter 15, MCA. Each community college district has an elected board of trustees accountable to and supervised by the Board of Regents.

Budget

System-wide, the community college general fund appropriation decreases 0.6 percent from the 1989 to the 1991 biennium. Dawson Community College decreases 2.2 percent because the 1989 biennium appropriation was based on enrollment projections that were higher than actual student FTE. When the two year average of actual enrollment figures are used for fiscal 1990 and 1991, the appropriation decreases. Flathead Valley Community College increases 0.6 percent because the 1989 biennium appropriation was based on enrollment projections that were lower than the actual number of students, and Miles Community College decreases 1.9 percent because the fiscal 1988 appropriation was higher than actual FTE warranted.

FUNDING FORMULA VARIABLES

The community college funding formula determines both the unrestricted budget and the general fund appropriation for the community colleges. The general fund variables of the community college funding formula are: 1) student FTE; 2) cost factor per student; and 3) percentage of state support for the unrestricted budget. During the 1981 session, it was decided that the number of FTE times the cost per student would determine the total unrestricted budget of the colleges. After the general fund is appropriated, the balance of the unrestricted budget is financed by the mandatory mill levy, student tuition and fees, and miscellaneous revenue.

FTE

FTE enrollment utilized in current level is the average of actual enrollment for the two prior completed fiscal years, 1987 and 1988. FTE students used in

the funding formula are 389 for Dawson, 931 for Flathead Valley, and 403 for Miles. Table 1 shows the actual enrollment for fiscal 1987 and fiscal 1988 and the calculated average FTE for each college.

Table 1
Two-Year Enrollment Average for Community Colleges

College	Fiscal 1987 FTE	Fiscal 1988 FTE	2-Year Average
Dawson	408	369	389
Flathead	906	956	931
Miles City	401	405	403
Total	<u>1,715</u>	<u>1,730</u>	<u>1,723</u>

Cost Factor Per Student

The cost factor per student is the aggregate expense for personnel, operating costs, and equipment at the three community colleges for one full-time equivalent student. The cost per FTE student for fiscal years 1984 through 1989 is summarized in Table 2.

Table 2
Community College FTE Student Cost Factor
Fiscal Years 1984 through 1989

Fiscal Year	Cost Factor	% Change
1984	\$3,325	---
1985	3,388	1.89
1986	3,574	5.49
1987	3,611	1.04
1988	3,622	0.30
1989	3,642	0.55

The cost factor, as shown above, is \$3,622 for fiscal 1988 and \$3,642 for fiscal 1989. The cost factor, or average expenditure per student, includes the average cost of instruction, academic support, student services, institutional support, and operation and maintenance of physical plant. The cost factor was developed from a 1981 funding study performed by the Legislative Finance Committee which examined comparable costs at peer institutions. The increases, as shown in Table 2, allow for inflation and pay raises equal to those given state employees. The fiscal 1987 general fund 5 percent cut was not applied to the cost factor because the legislature decided during Special Session III to make that reduction in percentage of state support which was reduced from 52 percent to 49.4 percent.

The 1991 biennium current level budget utilizes the 1989 cost factor of \$3,642 with no increase applied. An inflationary increase could be applied to the cost factor after the legislature has established a pay plan and inflation rates for the 1991 biennium.

Percentage of State Support

When the legislature approved the 5 percent across-the-board cut during Special Session III, the outcome was to reduce the percentage of state support to 49.4 percent for fiscal 1987. The 1987 legislature then reduced the percentage of state support to 48 percent for the 1989 biennium. This rate is used in the current level budget.

During the last regular session, the legislature funded audit costs of \$54,000 at 48 percent for a general fund appropriation of \$25,920. The audit cost in current level is \$54,000 or \$18,000 per college. Funding this cost at 48 percent requires a general fund appropriation of \$8,640 per college.

The calculations for the unrestricted community college budget and general fund appropriation are presented in Table 3.

Table 3
Fiscal 1990 and 1991 Current Level General Fund Support

<u>Community College</u>	<u>FY88</u> <u>FTE</u>	<u>Cost</u> <u>Factor</u>	<u>Unrestricted</u> <u>Budget</u>	<u>% State</u> <u>Support</u>	<u>General</u> <u>Fund</u>	<u>Audit</u> <u>Costs</u>	<u>Total</u> <u>Gen. Fund</u>
----- Fiscal 1988 -----							
Dawson	389	X \$3,642	= \$1,416,738	X 48 =	\$ 680,034	\$ 8,640	\$ 688,674
Flathead Valley	931	X 3,642	= 3,390,702	X 48 =	1,627,537	8,640	1,636,177
Miles	403	X 3,642	= 1,467,726	X 48 =	704,508	8,640	713,148
Audits			54,000				
Total	1,723		\$6,329,166		\$3,012,079	\$25,920	\$3,037,999
	=====		=====		=====	=====	=====
----- Fiscal 1989 -----							
Dawson	389	X \$3,642	= \$1,416,738	X 48 =	\$ 680,034	\$ -0-	\$ 680,034
Flathead Valley	931	X 3,642	= 3,390,702	X 48 =	1,627,537	-0-	1,627,537
Miles	403	X 3,642	= 1,467,726	X 48 =	704,508	-0-	704,508
Total	1,723		\$6,275,166		\$3,012,079	\$ -0-	\$3,012,079
	=====		=====		=====	=====	=====

Dawson Community College general fund decreases 2.2 percent to \$688,674 for fiscal 1990 and \$680,034 for fiscal 1991. Flathead Valley Community College general fund increases 0.6 percent to \$1,636,177 in fiscal 1990 and \$1,627,537 in fiscal 1991. Miles Community College general fund decreases 1.9 percent to \$713,148 for fiscal 1990 and \$704,508 for fiscal 1991. The 1989 to 1991 biennium general fund change system-wide is a 0.6 percent decrease.

VOCATIONAL-TECHNICAL CENTERS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	233.01	\$11,776,787	\$18,494,211
LFA Current Level	<u>237.71</u>	<u>8,991,865</u>	<u>16,151,697</u>
Executive Over (Under) LFA	<u>--(4.7)</u>	<u>\$ 2,784,922</u>	<u>\$ 2,342,514</u>

The executive budget is \$2,342,514 over LFA current level due primarily to including local voted levy expenditures in the budget and funding these costs with general fund in the 1991 biennium. After eliminating this difference, the executive budget is: 1) \$5,847 above LFA current level in total costs and 2) \$448,255 above LFA current level in general fund.

Table A illustrates the differences in non-general fund revenue sources. The executive budget estimates of tuition and fees revenue are \$119,912 lower than current level for the biennium. The executive estimate for the county mill levy revenue is \$114,450 lower than the LFA current level. The executive budget does not include any education trust interest for the centers; LFA current level includes biennium estimates of \$208,046.

Table A
Vocational Technical Center Non-General Fund Revenue
1991 Biennium

	Executive	LFA Current Level	Difference
Tuition and Fees	\$3,519,476	\$3,639,388	\$(119,912)
County Millage	1,583,000	1,697,450	(114,450)
Education Trust Interest	-0-	208,046	(208,046)
Federal Vo-Ed	<u>1,614,948</u>	<u>1,614,948</u>	<u>-0-</u>
Total	<u>\$6,717,424</u>	<u>\$7,159,832</u>	<u>\$(442,408)</u>

VOCATIONAL-TECHNICAL CENTERS

	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - -		% Change 1989-91 Biennium
			Fiscal 1990	Fiscal 1991	
<u>F.T.E. Enrollment</u>	2,393	2,555	2,367	2,367	(1.09)
<u>Expenditures by Center</u>					
Billings	\$1,682,130	\$1,677,743	\$1,537,644	\$1,519,982	(9.00)
Butte	1,379,119	1,364,903	1,359,562	1,340,479	(1.60)
Great Falls	1,442,531	1,433,658	1,501,080	1,483,023	3.75
Helena	2,098,635	2,091,991	1,903,450	1,886,953	(9.55)
Missoula	1,932,877	1,930,303	1,816,986	1,802,538	(6.31)
Total Expenditures	\$8,535,292 =====	\$8,498,598 =====	\$8,118,722 =====	\$8,032,975 =====	(5.18) =====

Fund Sources

General Fund	\$4,925,044	\$5,081,555	\$4,560,164	\$4,431,701	(10.14)
Tuition and Fees	1,663,171	1,801,275	1,819,694	1,819,694	5.05
County Millage	849,500	808,294	847,455	849,995	2.39
Education Trust	156,438	-0-	83,935	124,111	32.99
Federal Vo-Ed Funds	761,976	807,474	807,474	807,474	2.90
Other	179,163	-0-	-0-	-0-	N/A
Total Funds	\$8,535,292 =====	\$8,498,598 =====	\$8,118,722 =====	\$8,032,975 =====	(5.18) =====

ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Voted Mill Levy				
Option A:	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Option B:	1,517,743	-0-	1,501,713	-0-
Option C:	-0-	-0-	-0-	-0-
Option D:	(88,923)	1,606,666	(101,221)	1,602,934

Program Description

Montana's five vocational-technical centers in Billings, Butte, Great Falls, Helena, and Missoula collectively serve approximately 2,400 students annually. House Bill 39 passed by the Fiftieth Legislature transferred governance of the vocational-technical centers from the Superintendent of Public Instruction to the Board of Regents of Higher Education, effective July 1, 1988. The five center directors became state employees in fiscal 1988, and all other employees will become employees of the Board of Regents on July 1, 1989.

Budget

The current level analysis utilizes the vocational-technical center funding formula implemented by the legislature in the 1983 session. The formula develops expenditures in four program areas: instruction, instructional equipment,

support, and plant operations and maintenance. The 1987 legislature funded 95 percent of the formula budget; therefore, the current level budget is funded at 95 percent of the formula budget.

All of the Instruction Program and portions of the equipment and support program budgets are impacted by anticipated student full-time equivalent (FTE) enrollment. A student FTE is defined as 1,000 hours of student/teacher classroom contact per year. Table 1 lists the fiscal 1987 and 1988 actual FTE for the centers, the budgeted fiscal 1989 FTE, and the average FTE enrollment for the 1991 biennium. Using an average of fiscal 1987 and 1988 enrollment is consistent with the method used for the university system. The University Funding Study Committee and the Board of Regents agreed to use the average enrollment for budgeting purposes.

Table 1
Student Full-Time Equivalent (FTE) Enrollment

Center	Actual FY87	Actual FY88	Budgeted FY89	Avg. of FY87 & FY88 FY90	FY91
Billings	446	398	490	422	422
Butte	390	395	405	393	393
Great Falls	416	460	416	438	438
Helena	580	577	658	579	579
Missoula	507	563	586	535	535
Total	<u>2,339</u>	<u>2,393</u>	<u>2,555</u>	<u>2,367</u>	<u>2,367</u>

Instruction

The development of the Instruction Program budget is based on projected student FTE enrollment and an instruction rate per FTE. Flat rates per FTE for instruction personal services and for operating expenses were developed from actual expenditures for all centers in fiscal 1982. The 1991 biennium rate of \$1,846 per student FTE is unchanged for each year of the 1991 biennium. The fiscal 1988 operating expense rate of \$238, with inflation adjustment, is \$238 for fiscal 1990 and \$239 for fiscal 1991. The rates are combined to develop the Instruction Program budget for the 1991 biennium and a funding level of 95 percent was then applied to the developed budget.

Instructional Equipment

The instructional equipment budget is determined separately for: 1) variable equipment, which includes items with unit costs under \$1,000 and 2) capital equipment, which includes items with unit costs exceeding \$1,000. Variable equipment costs are developed using a flat rate per student FTE. Inflation has not been applied to equipment for the past two bienniums so the fiscal 1986 variable equipment rate of \$34 per FTE was utilized in the 1989 biennium and for each year of the 1991 biennium. Capital equipment costs are budgeted using a flat rate of \$31,350 per center. The flat rate was first applied in fiscal 1986 and was also applied for each year of the 1989 biennium. Total biennium equipment

costs, at a 95 percent funding level, are \$152,978 for variable equipment and \$297,830 for capital equipment.

Support

The Support Program activities include academic supervision, financial and institutional administration, and student services. The 1983 legislature adopted staffing standards and an average support position compensation for Support Program personal services. Table 2 lists the staffing standards as applied to each center and the fiscal 1989 compensation by position which were used to develop the 1991 biennium budget.

Table 2
Support Staffing Requirements and Average Compensation
1991 Biennium

<u>Staffing Standards</u>	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total</u>	<u>Avg. Compensation Per Position</u>
Administration							
Director	1.00	1.00	1.00	1.00	1.00	5.00	\$54,094
Assistant Director	1.00	1.00	1.00	1.00	1.00	5.00	54,086
Support							
Business Mgr. or Accountant	1.00	1.00	1.00	1.00	1.00	5.00	45,743
Counselor - 1:300 FTE	1.41	1.31	1.46	1.93	1.78	7.89	34,228
Library-Media Specialist	1.00	1.00	1.00	1.00	1.00	5.00	23,407
Clerical							
Admin. Secretary	1.00	1.00	1.00	1.00	1.00	5.00	18,324
Clerical Support							
Admin. 1:3	0.67	0.67	0.67	0.67	0.67	3.35	15,996
Support & Cust. 1:5	1.58	1.41	1.59	1.64	1.81	8.03	15,996
Instruction 1:10	<u>2.79</u>	<u>2.26</u>	<u>3.35</u>	<u>3.42</u>	<u>3.75</u>	<u>15.57</u>	15,996
Total Support Staff FTE	<u>11.45</u>	<u>10.65</u>	<u>12.07</u>	<u>12.66</u>	<u>13.01</u>	<u>59.84</u>	
Student FTE							
Student FTE	422	393	438	579	535	2,367	
Instruction Staff FTE	27.87	22.56	33.50	34.19	37.50	155.62	

Operating costs for support services are determined using an average operating cost per FTE support staff. Inflation factors were applied to the fiscal 1988 operating cost rate of \$5,350 to obtain the operating cost rate of \$5,376 for fiscal 1990 and 1991. A 95 percent funding level was applied to the developed costs.

Audit costs are estimated to be \$24,904 at each center. Funding for the audit costs follows the policy applied in the 1985 and 1987 sessions. Using non-appropriated sources, the Billings, Butte, and Great Falls centers are to provide 10 percent and the Helena and Missoula centers 15 percent of the costs of the audit. Consequently, current level audit costs are \$22,414 at the Billings, Butte,

and Great Falls centers, and \$21,168 at the Helena and Missoula centers, for a total biennium audit cost of \$109,578. The 95 percent funding level is not applied to audit costs.

Plant Operations and Maintenance

Plant operations and maintenance costs are determined using the formula as modified by the 1985 legislature and applied in the 1985 and 1987 sessions. Personal services are estimated based on staffing requirements and an average compensation per position. The staffing requirements for each center are one head custodian plus a staff of 1.00 FTE for each 35,000 gross square feet, rounded to the nearest 0.25 FTE. Table 3 shows the staffing requirements for each center. The average annual compensation rate used to develop the 1991 biennium budgets are the same as the rate for the 1989 biennium.

Table 3
Plant Operating and Maintenance Staffing Requirements
1991 Biennium

<u>Center</u>	<u>Sq. Footage</u> <u>Physical Plant</u>	<u>Head</u> <u>Custodian</u>	<u>No. of Staff</u> <u>per 35,000 sq ft</u>	<u>Total</u> <u>Plant FTE</u>	<u>Avg. Annual</u> <u>Comp. Rate</u>
Billings	120,500	1.00	3.50	4.50	\$21,347
Butte	92,700	1.00	2.75	3.75	21,347
Great Falls	118,000	1.00	3.50	4.50	21,347
Helena	113,000	1.00	3.25	4.25	21,347
Missoula	145,000	<u>1.00</u>	<u>4.25</u>	<u>5.25</u>	21,347
Total		<u>5.00</u> =====	<u>17.25</u> =====	<u>22.25</u> =====	

Operating expenses are incrementally budgeted from fiscal 1988 expenditures excluding expenditures funded by the voted mill levy, or the fiscal 1988 appropriated level if expenditures exceeded the appropriated level. Expenditures exceeded the appropriated level by \$22,520 at Billings, by \$11,521 at Butte, and by \$66,913 at Great Falls. A 95 percent funding level was then applied to be consistent with action by the 1987 legislature.

Summary of Current Level Costs

The program expenditures for each center, as estimated by the current level analysis with 95 percent funding support, are listed in Table 4.

Table 4
Program Expenditures by Center - 95 Percent Funding Level
1991 Biennium

	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total</u>
----- Fiscal 1990 -----						
Instruction						
Personal Services	\$ 740,061	\$ 689,204	\$ 768,121	\$1,015,392	\$ 938,230	\$4,151,008
Operating Expenses	95,414	88,857	99,032	130,912	120,964	535,179
Support						
Personal Services	308,175	294,389	318,626	335,626	338,481	1,595,297
Operating Expenses	58,477	54,391	61,644	64,657	66,445	305,614
Audit	22,414	22,414	22,414	21,168	21,168	109,578
Plant Operation & Maint.						
Personal Services	91,259	76,048	91,259	86,189	106,468	451,223
Operating Expenses	178,396	91,782	96,054	201,021	178,166	745,419
Equipment						
Variable	13,665	12,694	14,147	18,702	17,281	76,489
Capital	<u>29,783</u>	<u>29,783</u>	<u>29,783</u>	<u>29,783</u>	<u>29,783</u>	<u>148,915</u>
Total Expenditures	<u>\$1,537,644</u>	<u>\$1,359,562</u>	<u>\$1,501,080</u>	<u>\$1,903,450</u>	<u>\$1,816,986</u>	<u>\$8,118,722</u>
----- Fiscal 1991 -----						
	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total</u>
Instruction						
Personal Services	\$ 740,061	\$ 689,204	\$ 768,121	\$1,015,392	\$ 938,230	\$4,151,008
Operating Expenses	95,815	89,231	99,448	131,462	121,472	537,428
Support						
Personal Services	308,175	294,389	318,626	335,626	338,481	1,595,297
Operating Expenses	58,477	54,391	61,644	64,657	66,445	305,614
Audit						
Plant Operation & Maint.						
Personal Services	91,259	76,048	91,259	86,189	106,468	451,223
Operating Expenses	182,747	94,739	99,995	205,142	184,378	767,001
Equipment						
Variable	13,665	12,694	14,147	18,702	17,281	76,489
Capital	<u>29,783</u>	<u>29,783</u>	<u>29,783</u>	<u>29,783</u>	<u>29,783</u>	<u>148,915</u>
Total Expenditures	<u>\$1,519,982</u>	<u>\$1,340,479</u>	<u>\$1,483,023</u>	<u>\$1,886,953</u>	<u>\$1,802,538</u>	<u>\$8,032,975</u>

Funding

The vocational-technical centers are funded from five sources: general fund tuition and fees, county one and one-half mill levy, federal vocational-education funds, and education trust fund interest. Table 5 lists the estimated revenue by source for each center.

Table 5
Estimated Revenue by Center
1991 Biennium

	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total System</u>
----- Fiscal 1990 -----						
General Fund	\$ 692,006	\$ 844,579	\$ 860,831	\$1,106,541	\$1,056,207	\$4,560,164
Tuition	323,638	299,663	336,479	450,386	409,528	1,819,694
County Millage	342,200	63,392	146,771	108,006	187,086	847,455
Education Trust Intr.	14,941	13,933	15,528	20,564	18,969	83,935
Federal Vo-Ed	164,859	137,995	141,471	217,953	145,196	807,474
 Total Revenue	 \$1,537,644 =====	 \$1,359,562 =====	 \$1,501,080 =====	 \$1,903,450 =====	 \$1,816,986 =====	 \$8,118,722 =====
----- Fiscal 1991 -----						
General Fund	\$ 666,168	\$ 818,637	\$ 834,901	\$1,079,877	\$1,032,118	\$4,431,701
Tuition	323,638	299,663	336,479	450,386	409,528	1,819,694
County Millage	343,225	63,582	147,211	108,330	187,647	849,995
Education Trust Intr.	22,092	20,602	22,961	30,407	28,049	124,111
Federal Vo-Ed	164,859	137,995	141,471	217,953	145,196	807,474
 Total Revenue	 \$1,519,982 =====	 \$1,340,479 =====	 \$1,483,023 =====	 \$1,886,953 =====	 \$1,802,538 =====	 \$8,032,975 =====

General Fund

After all other available revenue sources are estimated, the general fund portion is calculated. General fund is 56.2 percent of total revenue in fiscal 1990 and 55.2 percent in fiscal 1991.

Tuition

The annual tuition rate per FTE used to estimate revenue for the 1989 biennium was \$675 for fiscal 1988 and \$705 for fiscal 1989. In fiscal 1988 the Board of Regents established uniform tuition and fee schedules for the five vo-tech centers. The fiscal 1989 schedule for annual tuition and fees deposited in the current unrestricted fund includes resident tuition at \$720 per FTE, additional non-resident tuition at \$900 per FTE, registration at \$30 per FTE, and miscellaneous fees including application, course audit, late registration, and returned check and transcript fees. The fiscal 1989 schedule is used in the revenue estimates. Tuition revenue is 22.4 percent of total revenue in fiscal 1990 and 22.7 percent in fiscal 1991.

County One-and-One-Half Mill Levy

Section 20-16-202, MCA, authorizes the county commissioners in each county in which a vocational-technical center is located to levy a mandatory one-and-one-half mills for the support and maintenance of the vocational-technical center system. It is the intent of this legislation that the county commissioners levy this tax for fiscal year 1988 operations of the vocational-technical system and thereafter. Language in the general appropriations bill gives the commissioner of higher education the authority to transfer county millage collections among centers and revert general fund by the amount that total system millage revenue exceeds the aggregate amount stated in the general appropriations bill. For fiscal 1988 \$49,210 of general fund was reverted.

Education Trust Fund Interest

Section 90-6-211, MCA, authorizes the use of ten percent of the interest from the education trust, which is funded by the coal tax, for operating costs incurred by vocational-technical centers and adult basic education programs. The adult basic education program is funded first and the remainder used for vocational-technical centers' funding. A total of \$156,438 was available for the centers in fiscal 1988, and no funds were available in fiscal 1989. Current level analysis includes \$83,935 of education trust fund interest for fiscal 1990 and \$124,111 for fiscal 1991.

Federal Vocational-Education Funds

The Carl D. Perkins Vocational Education Act (Public Law 98-524) provides federal vocational-education funds to expand, improve, and update high-quality programs for vocational-technical education, and includes specific requirements for use of the funds.

The 1989 biennium appropriation estimated federal revenue receipts for all centers at \$807,474 for each year of the biennium, the same as fiscal 1989 estimated federal revenue. The same distribution by center of estimated federal vo-ed receipts was utilized for three years from fiscal 1986 through 1988. After three years, federal funds can no longer be applied to the same project, and the distribution by center was revised for fiscal 1989. The fiscal 1989 distribution is utilized for each year of the 1991 biennium, which covers the remaining two years of a three-year period. A total of \$1,614,948 of federal vo-ed funds is estimated for the 1991 biennium.

ISSUE 1: VOTED MILL LEVY

Additional voted mill levies were appropriated at each of the five centers. Section 20-16-207, MCA, allows the local school district trustees to provide additional vocational-technical center funding through voted mill levies for the centers for fiscal 1988 and 1989. No provision is made to continue the voted levy beyond fiscal 1989. In fiscal 1988, an additional \$1,600,950 was utilized by the centers from the school district voted levy to supplement the general operating budgets of the vocational-technical centers. The legislature does not consider these funds in the development of the budget, and the biennium comparison figures do not include the additional funds. However, each center has relied on this supplemental source of income for general operations. Table 6 shows the

fiscal 1988 voted mill levy funds and the relationship of the voted levy to total current unrestricted expenditures for each center.

Table 6
Additional Voted Mill Levy Contribution to Center Funding
Fiscal 1988

	<u>Billings</u>	<u>Butte</u>	<u>Great Falls</u>	<u>Helena</u>	<u>Missoula</u>	<u>Total</u>
Legis. Formula Revenue	\$1,682,130	\$1,379,119	\$1,442,531	\$2,098,635	\$1,932,877	\$ 8,535,292
Add'l. Voted Mill Levy	<u>83,805</u>	<u>223,049</u>	<u>316,985</u>	<u>297,541</u>	<u>679,570</u>	<u>1,600,950</u>
Total	<u>\$1,765,935</u>	<u>\$1,602,168</u>	<u>\$1,759,516</u>	<u>\$2,396,176</u>	<u>\$2,612,447</u>	<u>\$10,136,242</u>
FY 88 Voted Levy % of Total	4.75	13.92	18.02	12.42	26.01	15.79
FY 86 Voted Levy % of Total	12.04	16.05	12.32	12.32	23.46	15.71

For fiscal 1986 and fiscal 1988, additional voted levy funding averaged 15.75 percent of total current unrestricted revenue. The voted mill levy funds will be unavailable for the 1991 biennium.

- Option A: Eliminate the services provided by the additional voted mill levy funds.
- Option B: Substitute general fund appropriations for the 15.75 percent additional services provided by the voted levy funds.
- Option C: Amend Section 20-16-207, MCA, to continue a voted mill levy to provide additional operating funds for the vo-tech centers.
- Option D: Provide a statewide one-mill levy to provide additional operating funds for the vo-tech centers.

MONTANA AGRICULTURAL EXPERIMENT STATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	273.27	\$12,388,532	\$17,296,789
LFA Current Level	<u>257.67</u>	<u>11,841,697</u>	<u>16,653,375</u>
Executive Over (Under) LFA	<u>=15.60</u>	<u>\$==546,835</u>	<u>\$==643,414</u>

The executive budget is \$643,414 higher in total funds and \$546,835 higher in general fund than LFA current level. The \$643,414 difference in total funds results from: 1) the executive personal services budget is \$268,206 higher than LFA current level; and 2) the executive operating expenses are \$375,208 higher than LFA current level. The executive budget includes \$96,579 more state special revenue in the U.S. range station to fund higher personal services than LFA current level.

ISSUE 1: FACULTY ACADEMIC YEAR FTE ADJUSTMENT

The executive budget includes 15.69 FTE to adjust Cooperative Extension Service faculty from academic year FTE to fiscal year FTE. LFA current level includes 14.47 adjustment FTE in the Cooperative Extension Service budget.

ISSUE 2: VACANCY SAVINGS

The executive budget includes a lower vacancy savings rate than the LFA current level 4 percent. This lower vacancy savings rate costs \$202,396 over the 1991 biennium. Minor differences in the Main Station personal services categories result in higher costs of \$16,411 in LFA current level over the biennium.

ISSUE 3: MAIN STATION OPERATING COSTS

The executive budget includes \$68,932 more for travel, \$38,204 more for rental of office and other equipment, \$134,160 more for office equipment repair and maintenance, \$117,982 more for higher education recharges, and \$15,930 more for equipment purchases than LFA current level.

Operating costs for travel, rent, repairs and maintenance, and other were maintained at the level anticipated by the 1987 legislature, while equipment was included at the average expenditure level for fiscal years 1986, 1987, and 1988 in LFA current level.

ISSUE 4: U.S. RANGE STATION PERSONAL SERVICES

The executive budget includes 16.00 FTE each year for the U.S. Range Station, or 0.68 FTE less than current level; however, the executive budgeted personal services are \$83,197 higher than the LFA current level. This difference results from seven position upgrades included in the executive budget that range from \$3,679 to \$13,567.

MONTANA AGRICULTURAL EXPERIMENT STATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	259.70	259.70	257.67	257.67	(2.03)
Personal Services	\$6,902,129	\$7,019,097	\$6,870,155	\$6,870,286	(1.29)
Operating Expenses	1,494,559	1,494,420	1,334,080	1,340,854	(10.51)
Equipment	154,800	127,875	119,000	119,000	(15.80)
Total Operating Costs	\$8,551,488	\$8,641,392	\$8,323,235	\$8,330,140	(3.14)
Non-Operating Costs	979	-0-	-0-	-0-	(100.00)
Total Expenditures	<u>\$8,552,467</u>	<u>\$8,641,392</u>	<u>\$8,323,235</u>	<u>\$8,330,140</u>	<u>(3.14)</u>
Fund Sources					
General Fund	\$6,204,844	\$6,257,135	\$5,917,056	\$5,924,641	(4.98)
State Special	674,320	710,954	700,044	699,364	1.02
Federal Revenue	<u>1,673,303</u>	<u>1,673,303</u>	<u>1,706,135</u>	<u>1,706,135</u>	1.96
Total Funds	<u>\$8,552,467</u>	<u>\$8,641,392</u>	<u>\$8,323,235</u>	<u>\$8,330,140</u>	<u>(3.14)</u>

Program Description

The Montana Agricultural Experiment Station was established in 1893 at the state's land-grant university in Bozeman to conduct and promote studies, scientific investigations, and experiments relating to agriculture, natural resources, and rural life and to provide information thereby acquired to the people of Montana. In addition to the campus research departments, there are seven applied research centers located around the state to serve specific agricultural areas and to be representative in soil, climate, and other variables for research tests.

The agricultural experiment station budget consists of two primary components: the Main Station and its research centers; and the United States Livestock and Range Research Laboratory at Miles City.

Budget

The budget decreases 3 percent. Operating expenses in the main station were reduced to the level appropriated by the legislature for travel, repairs, and other expenses. Equipment rent was reduced to the one piece of equipment the agency showed would still be under a lease/purchase agreement in fiscal 1990. Equipment is below the fiscal 1989 level as the Spring Wheat Program is not continued in current level and more funds were spent on equipment than appropriated in fiscal 1988.

MAIN STATION					
<u>Budget Item</u>	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - - Fiscal 1990 Fiscal 1991		% Change 1989-91 Biennium
F.T.E.	243.00	243.00	241.00	241.00	(2.00)
Personal Services	\$6,563,256	\$6,641,843	\$6,508,722	\$6,509,533	(1.41)
Operating Expenses	1,483,699	1,488,720	1,323,469	1,330,243	(10.72)
Equipment	155,213	124,875	116,000	116,000	(17.17)
Total Operating Costs	\$8,202,168	\$8,255,438	\$7,948,191	\$7,955,776	(3.36)
Non-Operating Costs	979	-0-	-0-	-0-	(100.00)
Total Expenditures	<u>\$8,203,147</u>	<u>\$8,255,438</u>	<u>\$7,948,191</u>	<u>\$7,955,776</u>	<u>(3.37)</u>
<u>Fund Sources</u>					
General Fund	\$6,204,844	\$6,257,135	\$5,917,056	\$5,924,641	(4.98)
State Special	325,000	325,000	325,000	325,000	0.00
Federal Revenue	<u>1,673,303</u>	<u>1,673,303</u>	<u>1,706,135</u>	<u>1,706,135</u>	<u>1.96</u>
Total Funds	<u>\$8,203,147</u>	<u>\$8,255,438</u>	<u>\$7,948,191</u>	<u>\$7,955,776</u>	<u>(3.37)</u>
<u>ISSUES</u>					
	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -		
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Examination of Total Budget	N/A	N/A	N/A	N/A	

Program Description

The Main Station budget funds agricultural research at 13 departments in Bozeman and at seven applied research centers: central in Moccasin, western in Corvallis, northern in Havre, southern in Huntley, northwestern in Kalispell, eastern in Sidney, and western triangle in Conrad. There are seven advisory committees comprised of representatives from the area served by each center and a statewide agricultural experiment station advisory council consisting of delegates elected by the local committees.

Budget

The number of FTE decreases by two. The 1 FTE added for the 1989 biennium for start-up of the Spring Wheat Breeding and Biotechnology Program was not continued in current level. Language in House Bill 2 states:

General fund support for start-up of the Spring Wheat Breeding and Biotechnology Program at the agricultural experiment station is for the 1989 biennium only. Other funds will be required to continue the program beyond the 1989 biennium.

The other FTE reduction is a result of changing the categories of FTE. Due to the higher salary requirement of the recategorized FTE, this decreased the overall FTE by 1 and increased the salary cost \$2,062 as shown in the following table.

Table 1
FTE Comparison and Cost Analyst of Agency Changing FTE Categories

Category	Approp.	Req.	Diff.	Average Salary	FTE Cost Diff
Contract Faculty	91.00	90.09	(0.91)	\$31,357	\$(28,535)
Contract Prof.	23.00	27.09	4.09	25,238	103,223
Classified	96.00	90.92	(5.08)	17,510	(88,951)
Grad. Research Asst.	16.00	17.00	1.00	17,965	17,965
Part-Time	17.00	16.90	(0.10)	16,401	(1,640)
Total	<u>243.00</u>	<u>242.00</u>	<u>(1.00)</u>		<u>\$ 2,062</u>

Operating expenses decrease 10.72 percent. The Spring Wheat Program operating costs of \$5,097 are removed. Table 2 shows the second level expenditure by category for the fiscal 1988 appropriation, actual expenditures, and the 1991 biennium current level budget.

Table 2
Comparison of Operating Expenses Appropriated Versus Expended
In Fiscal 1988 and the 1991 Biennium Current Level Budget

Category	Fiscal 1988			Current Level Budget	
	Approp.	Spent	Difference	Fiscal 1990	Fiscal 1991
Contract Services	\$ 166,083	\$ 181,498	\$ 15,415	\$ 181,497	\$ 181,497
Mat. & Supplies	479,734	410,481	(69,253)	414,478	416,804
Communications	130,246	114,282	(15,964)	108,022	107,274
Travel	134,916	169,382	34,466	134,916	134,916
Rent					
Office Equip.	14,778	6,604	(8,174)	4,218	--
Other Equip.	-0-	6,201	6,201	-0-	-0-
Leased Equip.	4,940	8,406	3,466	-0-	-0-
Rent-Bldg.	18,959	31,661	12,702	31,661	31,661
General	8,637	1,799	(6,838)	1,799	1,799
Total Rent	\$ 47,314	\$ 54,671	\$ 7,357	\$ 37,678	\$ 33,460
Utilities	\$ 223,768	\$ 164,253	\$(59,515)	\$ 188,910	\$ 198,324
Repairs	151,210	218,290	67,080	151,213	151,213
Other	106,755	165,746	58,991	106,755	106,755
Total	<u>\$1,440,026</u>	<u>\$1,478,603</u>	<u>\$ 38,577</u>	<u>\$1,323,469</u>	<u>\$1,330,243</u>

Contracted services, material and supplies, communications, and utilities are continued at the level expended in fiscal 1988 with inflation adjustments. Travel, repair and maintenance, and other expenses are at the level appropriated. Travel had been reduced by the 1987 legislature. However, actual travel expenditures by the agency were not reduced in fiscal 1988. The agency spent unused utility funds on repair and maintenance. The agency explained the other expense increase as shown in Table 3.

Table 3
Increase in Other Expenses

	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Difference</u>	<u>Percent</u>
Dues	\$ 2,069	\$ 9,889	\$ 7,820	378
Subscriptions	6,188	7,002	814	13
Reg. Fees-Training	-0-	2,892	2,892	--
Entertainment	-0-	4,759	4,759	--
General	22,908	28,534	5,626	25
Recharges	<u>82,850</u>	<u>112,669</u>	<u>29,819</u>	<u>36</u>
Total	<u>\$114,015</u>	<u>\$165,745*</u>	<u>\$51,730</u>	<u>45</u>

*Appropriated level was \$106,755 versus \$165,745 spent, which is a 55 percent increase above the appropriated level.

No documentation was provided to justify the other expense increases. In fiscal 1988, no pay raises were appropriated and inflation was not fully recognized, yet recharges paid to Montana State University were increased 36 percent.

Equipment rent and leases were reduced to the one contract which will be continuing in fiscal 1990. The building rent increase is due to bench space for faculty in the new Plant Growth Center. The agency stated that the income provided from this rent is used mostly to provide supplies for the faculty. No documentation was provided by the agency. However, the expenditure is continued into current level as the supply budget had a decrease.

Equipment expenditures appropriated in fiscal 1988 were \$116,553 for the main station plus \$10,000 for the new Spring Wheat Program, or \$126,553. Of the \$155,213 spent, \$31,247 was for the Spring Wheat Program and \$123,966 for the other main station programs. Current level equipment is included at the level appropriated for the 1988 biennium without the Spring Wheat Program, or \$7,413 below actual fiscal 1988 expenditures.

Funding

There is \$325,000 state special revenue included each year from agricultural sales based on the agency's revenue projections. Federal revenue increases 1.96 percent and includes \$1,143,730 of Hatch Act formula funds and \$562,405 of Hatch Act regional research funds for agricultural research in cooperation with other western states.

ISSUE 1: EXAMINATION OF TOTAL BUDGET

During the budget analysis, the agency was asked specific questions about repair and maintenance costs, equipment rents, leases, or lease/purchases, and equipment purchases. The answers show that: 1) significant expenditures not in the current unrestricted operating subfund budget appropriated by the legislature are being made by the Agriculture Experiment Station; and 2) these expenditures are related to appropriation decisions made by the legislature.

Question 1: Would you identify the equipment on rent or lease in fiscal 1988 for program 02; identify all lease/purchases; and note the date the lease/purchase was paid?

Rent/lease payments excluding building rent were \$23,010 in fiscal 1988 in program 02. The agency answer to the above question showed that \$17,590 of equipment and \$27,629 of land was paid on lease/installment purchase, or \$45,219. Expenditures shown on the schedule were \$22,109 more than expended in the main station budget.

Question 2: Would you send a list of equipment purchased in fiscal 1988 by program?

Equipment expenditures for program 02 were \$155,213 as shown on the main table. The list of equipment purchased in fiscal 1988 totaled \$426,412. This is \$271,199 more than the legislature would see in the budget and \$299,859 above the \$126,553 that was appropriated in fiscal 1988. The Agriculture Experiment Station had requested \$436,842 from the 1987 legislature for fiscal 1988.

Question 3: The repair and maintenance expenditures were \$218,290, or \$67,080 above the level anticipated by the 1987 legislature and the fiscal 1986 expenditures. Would you explain in detail the fiscal 1986 and fiscal 1988 expenditures; identify the changes between the two years; and explain the changes. Please provide documentation whenever possible.

The agency responded:

Because of two years of severe funding shortfalls, a substantial amount of maintenance was deferred. Savings in utilities realized due to the mild winter in FY 88 were used to pick up some of the deferred maintenance.

The Ag Experiment Station owns and leases 31,707 acres located in twelve different counties throughout the state. There are seven research centers, two ranches, and, adjacent to campus, the Livestock Center, Ft. Ellis, the Post Farm Research Laboratory and the Veterinary Research Laboratory and livestock facilities. Also, our administrative and faculty offices and laboratories occupy over 46,000 square feet of campus space. The facilities are costly to maintain, several have historical implications, and most of our laboratories are seriously outdated.

From fiscal 1981 through fiscal 1986, expenditures for plant repair and renovation exceeded \$1.2 million funded from sources other than the appropriated budget. In addition, a special appropriation of \$160,000 for maintenance and repair at the Northern and Southern Agricultural Research Centers was approved by the last legislature. Yet, the maintenance void has not been covered.

In addition, funds were expended on the new Plant Growth Center to correct some functional problems which were not the responsibility of the MSU Physical Plant. These expenses, borne by the Agricultural Experiment Station, were not addressed in the 1989 Biennium request. Similar expenses are occurring in the current year, i.e. replacement of the skin on the quarantine section in order to meet APHIS standards. This is just an example of non-budgeted items that occur from year to year.

In addition, the agency sent a schedule showing the plant improvements and generalized funding sources. From this schedule, it appears \$416,584 was from mineral royalties, \$402,708 from special appropriations, and \$426,385 from other funds.

Option A: Ask the agency to provide a full financial review of all funds, expenditures, and specific revenue sources for fiscal 1988 through fiscal 1991.

Option B: Do not review the total financial activity of the agency.

UNITED STATES LIVESTOCK AND RANGE RESEARCH LABORATORY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	16.70	16.70	16.67	16.67	(0.03)
Personal Services	\$338,873	\$377,254	\$361,433	\$360,753	0.85
Operating Expenses	10,860	5,700	10,611	10,611	28.15
Equipment	(413)	3,000	3,000	3,000	131.93
Total Expenditures	\$349,320 =====	\$385,954 =====	\$375,044 =====	\$374,364 =====	1.92 =====
<u>Fund Sources</u>					
State Special	\$349,320 =====	\$385,954 =====	\$375,044 =====	\$374,364 =====	1.92 =====

Program Description

The United States Livestock and Range Research Laboratory at Miles City is a cooperative program of the United States Department of Agriculture and the state through the Montana Agricultural Experiment Station. The purpose of the laboratory is to improve the production of beef and to increase range forage efficiency.

Budget

The current level budget is as requested. Due to revenue shortfalls from the sale of agricultural products, the program was reduced from 36.13 FTE to 16.70 FTE. The agency has sufficient revenue to meet the current level request if its sales revenue of \$356,000 per year is accurate. The fund balance will be drawn down about \$19,000 each year. However, with the revenue variability and

the legislative precedent that if revenue is not sufficient in the future, the program will be decreased, this is not a significant on-going problem.

Funding

The funding source is state special cattle sale revenue.

BUREAU OF MINES AND GEOLOGY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	25.44	\$2,407,352	\$2,513,352
LFA Current Level	<u>26.82</u>	<u>2,408,379</u>	<u>2,514,379</u>
Executive Over (Under) LFA	<u>(1.38)</u>	<u>\$ (1,027)</u>	<u>\$ (1,027)</u>

The executive budget is \$1,027 lower than LFA current level in total funds and general fund. This difference occurs primarily in two areas: 1) vacancy savings and 2) equipment. Other minor differences amount to less than 2 percent.

ISSUE 1: VACANCY SAVINGS

The executive budget includes vacancy savings of 2 percent, compared with no vacancy savings in LFA current level. The difference totals \$35,428 over the biennium.

ISSUE 2: EQUIPMENT

The executive budget includes \$86,400 for equipment over the 1991 biennium, compared with \$48,000 in LFA current level. The total difference amounts to \$38,400.

ISSUE 3: PART-TIME FTE

The executive budget included the costs, but did not include 1.38 part-time FTE count that are included in LFA current level.

BUREAU OF MINES AND GEOLOGY

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change 1989-91 Biennium
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	
F.T.E.	26.43	26.43	26.82	26.82	0.39
Personal Services	\$ 885,962	\$ 894,624	\$ 898,863	\$ 899,457	1.00
Operating Expenses	331,694	368,024	333,529	334,530	(4.52)
Equipment	60,849	23,875	23,000	25,000	(43.34)
Total Expenditures	<u>\$1,278,505</u>	<u>\$1,286,523</u>	<u>\$1,255,392</u>	<u>\$1,258,987</u>	<u>(1.97)</u>
Fund Sources					
General Fund	\$1,232,538	\$1,233,523	\$1,202,392	\$1,205,987	(2.34)
State Special	45,967	53,000	53,000	53,000	7.11
Total Funds	<u>\$1,278,505</u>	<u>\$1,286,523</u>	<u>\$1,255,392</u>	<u>\$1,258,987</u>	<u>(1.97)</u>

Program Description

The Bureau of Mines and Geology is a public service and research agency at the Montana College of Mineral Science and Technology in Butte. The bureau gathers, field tests, analyzes, catalogs, and disseminates information on ground water, metals, oil, gas, coal, and other non-metallic minerals. The bureau participates in cooperative ground-water studies with the United States Geological Survey.

Budget

The budget decreased 1.97 percent from the 1989 biennium to the 1991 biennium. This is due primarily to funding operating expenses at the level incurred for fiscal 1988 and equipment at the appropriated level rather than the higher level expended by shifting personal service and operating expense funds to equipment in fiscal 1988.

The FTE shows a 0.39 increase. Personal services shows a 1 percent increase. The FTE change is due to recategorizing the personnel as shown in Table 1. Since the agency's recategorization does not result in more dollars being expended, the agency's requested FTE and personal services are included as current level. The 1 percent increase is due primarily to having no vacancy savings in the 1991 biennium, while a 1 percent vacancy savings was experienced in fiscal 1988.

Table 1
Comparison of FTE and Salary Cost Appropriated in Fiscal 1988
to Requested for Fiscal 1990

<u>Category</u>	<u>FTE</u>			<u>Salary Cost</u>		
	<u>FY88</u>	<u>FY89</u>	<u>Diff.</u>	<u>FY88</u>	<u>FY89</u>	<u>Diff.</u>
Contract Faculty	15.56	10.64	(4.92)	\$542,266	\$380,537	\$(161,729)
Contract Professional	1.50	5.50	4.00	52,275	201,551	149,276
Classified	8.65	9.30	0.65	144,308	152,133	7,825
Part-Time	0.72	1.38	0.66	12,000	12,454	454
Total	<u>26.43</u>	<u>26.82</u>	<u>0.39</u>	<u>\$750,849</u>	<u>\$746,675</u>	<u>\$(4,174)</u>

Operating expenses are as requested by the agency and reflect the fiscal 1988 expenditure level with inflation adjustments. Approximately \$38,000 appropriated for operating expenses was not expended for operating expenses in fiscal 1988.

Equipment was budgeted at \$22,075 in fiscal 1988. The agency spent \$60,849, or \$38,774 more than anticipated by the 1987 legislature. Current level equipment for the biennium reflects the average yearly appropriations of \$24,000 for fiscal 1986, 1987, and 1988. Fiscal 1991 has \$25,000 to fund a requested microscope.

Funding

State special revenue from the sale of maps and publications is budgeted at \$53,000 each year and the balance of the funding is general fund.

MONTANA COOPERATIVE EXTENSION SERVICE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE Fiscal 1991	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	101.08	\$4,138,992	\$8,032,008
LFA Current Level	<u>114.55</u>	<u>3,632,884</u>	<u>7,765,811</u>
Executive Over (Under) LFA	<u>(13.47)</u>	<u>\$ 506,108</u>	<u>\$ 266,197</u>

The executive budget is \$266,197 higher than LFA current level in total funds, but \$506,108 higher in general fund. Expenditure differences occur in two areas: personal services and travel.

ISSUE 1: FACULTY ACADEMIC YEAR FTE ADJUSTMENT

The Cooperative Extension Service (CES) has 14.69 FTE to account for faculty budgeted on a fiscal rather than an academic year. For faculty, an academic year equals 1.00 FTE and a fiscal year equals 1.22 FTE. The executive budget includes the fiscal year funding for these faculty in the CES budget but put the FTE numbers in the Agricultural Experiment Station budget.

ISSUE 2: PERSONAL SERVICES

The executive budget includes 1.22 FTE more than LFA current level, costing \$83,172 over the 1991 biennium. This position was removed from LFA current level to adjust for the reorganization and pay increases granted in the Cooperative Extension Service during the 1989 biennium. The executive budget includes vacancy savings at 2 percent, compared with 4 percent in LFA current level for a biennium difference of \$146,487. The executive budget includes \$50,430 less employee benefits than LFA current level. This difference results from the amount of benefit increases granted to the program's federal employees. The executive includes \$17,000 for hourly employees over the biennium that are not in LFA current level.

ISSUE 3: TRAVEL

The executive budget includes \$73,526 more for travel than LFA current level because LFA current level sets travel at the level anticipated by the 1987 legislature, while the executive maintained the fiscal 1988 overspending pattern.

ISSUE 4: FUNDING FOR FEDERAL EMPLOYEE PAY INCREASES

The executive budget includes \$239,911 of general fund for federal employee benefit increases that are funded from federal funds in LFA current level.

MONTANA COOPERATIVE EXTENSION SERVICE

<u>Budget Item</u>	Actual Fiscal <u>1988</u>	Appropriated Fiscal <u>1989</u>	- - - Current Level - - - Fiscal <u>1990</u>	Fiscal <u>1991</u>	% Change 1989-91 Biennium
F.T.E.	115.77	115.77	114.55	114.55	(1.22)
Personal Services	\$3,227,201	\$3,850,150	\$3,365,818	\$3,391,882	(4.52)
Operating Expenses	520,610	500,456	483,664	484,447	(5.18)
Equipment	<u>13,132</u>	<u>12,829</u>	<u>20,000</u>	<u>20,000</u>	<u>(54.08)</u>
Total Expenditures	<u>\$3,760,943</u>	<u>\$4,363,435</u>	<u>\$3,869,482</u>	<u>\$3,896,329</u>	<u>(4.41)</u>
<u>Fund Sources</u>					
General Fund	\$1,865,470	\$2,534,167	\$1,816,130	\$1,816,754	(17.43)
Federal Revenue	<u>1,895,473</u>	<u>1,829,268</u>	<u>2,053,352</u>	<u>2,079,575</u>	<u>10.96</u>
Total Funds	<u>\$3,760,943</u>	<u>\$4,363,435</u>	<u>\$3,869,482</u>	<u>\$3,896,329</u>	<u>(4.41)</u>

Program Description

The Cooperative Extension Service, created in 1914, disseminates and encourages practical use of research about agricultural production and marketing, human resource development, and home economics. The agency also provides support and direction to the 4-H program. The main office is located at Bozeman.

Budget

The budget decreases 4.41 percent due to excessive benefit amounts being shown in the fiscal 1989 appropriated column and reducing travel to the level anticipated by the 1987 legislature.

FTE decrease by 1.22 due to the agency recategorizing the positions to higher cost categories as shown in Table 1. One contract faculty (1.22 FTE), whose salary is \$36,090, is removed from current level so the agency's restructuring does not increase the cost.

Table 1
Comparison of FTE and Cost of Salaries by Employee Category

Category	FTE			Cost		
	Approp.	Request	Diff.	Approp.	Request	Difference
Contract Faculty	81.89	81.46	(0.43)	\$2,038,591	\$2,035,662	\$ (2,929)
Contract Professional	9.00	11.11	2.11	351,209	441,988	90,779
Classified	23.20	22.03	(1.17)	369,539	325,144	(44,395)
Part-Time	1.68	1.17	(0.51)	27,984	20,581	(7,403)
Total	115.77 =====	115.77 =====	0.00 =====	\$2,787,323 =====	\$2,823,375 =====	\$ 36,052 =====

Employee benefits, excluding health insurance, have increased from 20.39 percent of salaries in fiscal 1988 to 23.79 percent in fiscal 1990 and 24.77 percent in fiscal 1991. This causes a budget increase of \$90,977 in fiscal 1990 and \$117,200 in fiscal 1991.

Health insurance costs (and probably all benefit costs) for the cooperative extension service are not adequately analyzed due to lack of timely information. In SBAS, health insurance is coded under 1403, group insurance and totaled \$39,196 in fiscal 1988. The agency budget requested \$55,724 for health insurance, which is a \$16,528 or 42 percent increase. The benefit calculation sheet sent in by the agency showed \$63,618 of health insurance each year. A letter received from the agency said:

Our cost for federal health insurance for FY 88 was about \$124,405 and it could be as high as \$170,019 in FY 89 if all positions on federal appointment are covered for the entire year. We are estimating a 26% increase for 1/1/90 and 1/1/91. Our biennium budget for federal health insurance for FY 90 is estimated to be \$214,224 and for FY 91 \$269,222. Because we only pay a part of a county agent's salary, but all of the employer costs for those on a federal appointment, there are 90 employees covered by federal health insurance, but only 60.99 FY FTE's (74.41 AY FTE's). The average budget per each of the 90 employees for FY 90 is \$2,380 and \$2,991 for FY 91.

Table 2 illustrates the percent that benefits would be if federal health insurance as noted in the letter were removed. It shows that benefits increase in fiscal 1990 and decline in fiscal 1991.

Table 2
Comparison of Benefit Rates without Federal Health Insurance Benefits
at the Level Noted in the Cooperative Extension Service's Letter

	Fiscal 1988	Fiscal 1990	Fiscal 1991
Total Benefits	\$585,584	\$724,121	\$751,571
Federal Health Insurance	<u>124,405</u>	<u>214,224</u>	<u>269,222</u>
Benefits Without Insurance	\$461,179	\$509,897	\$482,349
Benefits w/o Insurance as a Percent of Salary	17.46%	18.06%	17.09%

All benefit increases above fiscal 1988 are assumed to be paid with additional federal dollars.

The 1987 legislature reduced travel because the agency has less FTE in the 1989 biennium under the consolidation with the Agriculture Experiment Station. However, actual travel costs were not reduced in fiscal 1988. Therefore, in the 1991 biennium, current level operating expenses were reduced \$36,763 for travel which exceed the amount appropriated for fiscal 1988.

Current level equipment is the average of the fiscal 1986, 1987, and 1988 expenditures.

Funding

The federal dollars are unrestricted Smith-Lever funds from the United States Department of Agriculture. The agency's projection is that federal funds will increase to \$1,946,508 each year. To this projection of Smith-Lever and federal retirement funds, \$106,844 is added for increased benefit costs in fiscal 1990 and \$133,067 in fiscal 1991.

MONTANA FORESTRY AND CONSERVATION EXPERIMENTAL STATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE <u>Fiscal 1991</u>	- - - - - Biennium - - - - - <u>General Fund</u>	<u>Total Funds</u>
Executive Budget	15.82	\$1,270,017	\$1,270,017
LFA Current Level	<u>16.09</u>	<u>1,259,248</u>	<u>1,259,248</u>
Executive Over (Under) LFA	<u>(0.27)</u>	<u>\$ 10,769</u>	<u>\$ 10,769</u>

The executive budget is \$10,769 higher in general fund and total funds than the LFA current level. This difference is due primarily to a difference in fiscal 1991 equipment of \$10,500 included in the executive budget that is not included in the LFA current level. The executive budget includes 0.27 fewer FTE than the LFA current level. The executive budget includes the agency requested 15.82 FTE compared with the LFA current level using the agency's fiscal 1989 adjusted operational plan level of 16.09 FTE.

MONTANA FORESTRY AND CONSERVATION EXPERIMENTAL STATION

Budget Item	Actual	Appropriated	- - - Current Level - - -		% Change
	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	1989-91 Biennium
F.T.E.	16.09	16.09	16.09	16.09	0.00
Personal Services	\$494,495	\$493,009	\$488,789	\$488,789	(1.01)
Operating Expenses	125,373	138,445	126,486	127,184	(3.85)
Equipment	12,682	13,500	15,000	13,000	6.94
Total Expenditures	\$632,550 =====	\$644,954 =====	\$630,275 =====	\$628,973 =====	(1.43) =====
Fund Sources					
General Fund	\$632,550 =====	\$644,954 =====	\$630,275 =====	\$628,973 =====	(1.43) =====

Program Description

The Montana Forest Conservation and Experiment Station's purposes include the study of relationships between forests and other dimensions of the environment, the discovery of ways to improve the products of forest lands, and the completion and publication of reports about forestry research. Research is carried on at Lubrecht Experimental Forest and at other locations in Montana in cooperation with private, state, and federal agencies.

Budget

The agency current level budget for the 1991 biennium decreases 1.43 percent. The fiscal 1988 operating expense level, which was \$11,653 below the appropriated level, is continued for the 1991 biennium.

Personal services include the 16.09 FTE and the average salary by FTE categories appropriated by the 1987 legislature. These positions and average salaries are shown in Table 1. Due to increasing the average salary for professional and classified FTE, the agency's request shows an FTE decrease of 0.27.

Table 1
FTE, Salary, and Benefit Costs
Fiscal 1990 and 1991

<u>FTE</u>	<u>Legislature</u>	<u>Agency Request</u>	<u>Difference</u>
Professional	9.00	8.57	(0.43)
Classified	5.90	5.98	0.08
Graduate Research Assts.	0.64	0.65	0.01
Part-Time	<u>0.55</u>	<u>0.62</u>	<u>0.07</u>
Total FTE	<u>16.09</u>	<u>15.82</u>	<u>(0.27)</u>
<u>Average Salary</u>			
Professional	\$ 29,767	\$ 30,991	\$ 1,224
Classified	19,921	21,490	1,569
Graduate Research Assts.	18,341	9,360	(8,981)
Part-Time	17,015	17,030	15
<u>Cost</u>			
Professional	\$267,903	\$265,593	\$(2,310)
Classified	117,534	128,510	10,976
Graduate Research Assts.	11,738	6,084	(5,654)
Part-Time	<u>9,358</u>	<u>10,559</u>	<u>1,201</u>
Total	<u>\$406,533</u>	<u>\$410,746</u>	<u>\$ 4,213</u>

Equipment funds a one-half ton four-by-four truck in fiscal 1990 and office equipment to replace a copier and single user computers in fiscal 1991. The average yearly equipment expenditure for fiscal 1986, 1987, and 1988 is \$13,336.

SIX UNITS OF THE MONTANA UNIVERSITY SYSTEM
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	- - - - - Biennium - - - - -	
	General Fund	Total Funds
Executive Budget	\$147,061,624	\$228,927,282
LFA Current Level	<u>148,873,331</u>	<u>230,038,573</u>
Executive Over (Under) LFA	<u>\$ (1,811,707)</u>	<u>\$ (1,111,291)</u>

The 1991 biennium executive budget for the university system is 0.5 percent or \$1,111,291 lower in total funds than LFA current level. In addition the executive budget has 1.2 percent, or \$1,811,707 less general fund than LFA current level. The program and funding differences are shown in Table A.

Table A
Comparison of Executive Budget and LFA Current Level
for the University System Programs and Funding Sources
1991 Biennium

Program	Executive	LFA	Exec. Over(Under) LFA	
			Amount	Percent
Instruction	\$123,058,227	\$119,853,772	\$ 3,204,455	2.7
Support	64,686,940	69,191,411	(4,504,471)	(6.5)
Scholarships/Fellowships	5,988,588	5,857,160	131,428	2.2
Public Service	862,526	838,029	24,497	2.9
Research	2,173,318 *	2,240,206	(66,888)	(3.0)
Plant	<u>32,157,683</u>	<u>32,057,995</u>	<u>99,688</u>	<u>0.3</u>
Total	<u>\$228,927,282</u>	<u>\$230,038,573</u>	<u>\$ (1,111,291)</u>	<u>(0.5)</u>
Funding				
General Fund	\$147,061,624	\$148,873,331	\$ (1,811,707)	(1.2)
Six-Mill Levy	24,789,000	24,072,000	717,000	3.0
Tuition and Fees	53,428,658	53,283,892	144,766	0.3
Indirect Costs	2,683,060	2,454,350	228,710	9.3
Other	<u>980,940</u>	<u>1,355,000</u>	<u>(374,060)</u>	<u>(27.6)</u>
Total Revenue	\$228,943,282	\$230,038,573	\$ (1,095,291)	(0.5)
Difference Between Executive Budget and Revenue	<u>(16,000)</u>		<u>\$ (16,000)</u>	<u>---</u>
Total Funds Difference	<u>\$228,927,282</u>	<u>\$230,038,573</u>	<u>\$ (1,111,291)</u>	<u>(0.5)</u>

*Does not include the statutory appropriation shown in the executive budget at \$240,000 for the 1991 biennium.

ISSUE 1: INSTRUCTION PROGRAM

The executive budget is \$3,204,455 higher than LFA current level in the instruction program. The difference is due to the application of different formula methods. The executive budget uses salary and instructional support rates from the funding method adopted by the 1981 legislature. Current level applies a formula using five data elements recommended by the University Funding Study Committee. Table B shows the executive instruction program budgets higher than LFA current level for Montana State University, the University of Montana, Western Montana College, and Montana Tech; the executive budgets are lower than LFA current level for Eastern Montana College and Northern Montana College.

Table B
Instruction Program Budgets
Executive and LFA Current Level - 1991 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMCUM</u>	<u>MCMST</u>	<u>Total</u>
Executive	\$50,180,587	\$38,271,983	\$13,720,027	\$8,016,202	\$4,510,961	\$8,358,467	\$123,058,227
LFA	<u>47,535,367</u>	<u>37,892,612</u>	<u>13,816,169</u>	<u>8,083,010</u>	<u>4,208,772</u>	<u>8,317,842</u>	<u>119,853,772</u>
Diff.	<u>\$ 2,645,220</u>	<u>\$ 379,371</u>	<u>\$ (96,142)</u>	<u>\$ (66,808)</u>	<u>\$ 302,189</u>	<u>\$ 40,625</u>	<u>\$ 3,204,455</u>

ISSUE 2: SUPPORT PROGRAM

The executive budget for the support program is \$4,504,471 lower than LFA current level. The difference is due to the application of different formula methods. The executive budget uses the support program funding method adopted by the 1981 legislature. Current level uses a cost percentage relationship to calculate the support program. Table C shows the executive budgets are lower than current level for all six units.

Table C
Support Program Budgets
Executive and LFA Current Level - 1991 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMCUM</u>	<u>MCMST</u>	<u>Total</u>
Exec.	\$24,505,151	\$20,159,945	\$ 8,604,130	\$ 4,220,928	\$2,320,902	\$4,875,884	\$64,686,940
LFA	<u>25,708,649</u>	<u>20,209,927</u>	<u>9,640,824</u>	<u>5,640,266</u>	<u>2,936,851</u>	<u>5,054,894</u>	<u>69,191,411</u>
Diff.	<u>\$(1,293,498)</u>	<u>\$ (49,982)</u>	<u>\$(1,036,694)</u>	<u>\$(1,419,338)</u>	<u>\$ (615,949)</u>	<u>\$ (179,010)</u>	<u>\$(4,504,471)</u>

ISSUE 3: SCHOLARSHIPS AND FELLOWSHIPS PROGRAM

The executive budget for the scholarships and fellowships program is \$131,428 higher than LFA current level for the biennium. The difference is due to the application of different budgeting methods. LFA current level applies the formula method adopted by the 1981 legislature which uses percentages of revenue to determine the discretionary waivers portion of the budget. Incremental funding is used to determine the mandatory waivers. This program in the executive budget was developed using a method which averaged fiscal 1987 and 1988 scholarships and fellowships expenditures.

Table D shows the differences by unit which result from the application of the two different methods. The executive budgets for Montana State University, the University of Montana, and Eastern Montana College are lower than LFA current level because the past two years expenditures were less than the legislature appropriated. The executive budgets for Western Montana College and Montana Tech are higher than LFA current level because the units transferred funds into the scholarships and fellowships program from other programs. Northern Montana College's budget is higher because the executive budget includes phase-down funds for Northern that are above the percent budgeted for the other five units.

Table D
Scholarships and Fellowships Program Budgets
Executive and LFA Current Level - 1991 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMCUM</u>	<u>MCMST</u>	<u>Total</u>
Executive	\$2,180,376	\$1,913,214	\$675,620	\$521,832	\$163,944	\$533,602	\$5,988,588
LFA	<u>2,203,380</u>	<u>1,917,540</u>	<u>711,300</u>	<u>485,412</u>	<u>156,322</u>	<u>383,206</u>	<u>5,857,260</u>
Diff.	\$ (23,004) =====	\$ (4,326) =====	\$ (35,680) =====	\$ 36,420 =====	\$ 7,622 =====	\$150,396 =====	\$ 131,428 =====

ISSUE 4: PUBLIC SERVICE PROGRAM

The executive public service program budget is \$24,497 higher than LFA current level. Table E shows the executive budget for public service lower at Montana State University, higher at the University of Montana and Eastern Montana College, and the same for Northern Montana College. Montana State University is lower because the executive budget applied vacancy savings and did not include travel. LFA current level reduced operating expenses at the University of Montana by \$15,000 per year to adjust for an increase in personal services above the appropriated level; the executive budget continued the personal services increases and applied vacancy savings. LFA current level base year expenditures were reduced to the appropriated level for Eastern Montana College; the executive budget reduced personal services and applied 2 percent vacancy savings, but the budget remains higher than current level. Northern Montana College has no personal services in this program and both budgets are the same.

Table E
Public Service Program Budget
Executive and LFA Current Level - 1991 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>Total</u>
Executive	\$19,111	\$360,411	\$465,222	\$17,782	\$862,526
LFA	<u>21,501</u>	<u>335,636</u>	<u>463,110</u>	<u>17,782</u>	<u>838,029</u>
Diff.	<u>\$(2,390)</u>	<u>\$ 24,775</u>	<u>\$ 2,112</u>	<u>\$ -0-</u>	<u>\$ 24,497</u>

ISSUE 5: RESEARCH

The executive budget for the research program is \$66,888 lower than LFA current level for the 1991 biennium. LFA current level is incrementally budgeted using base year fiscal 1988 expenditures, reduced for expenditures above the appropriated level. Table F show that the executive research program budgets are higher than LFA current level for MSU and lower for UM and MCMST. The executive budget for Montana State University exceeds LFA current level due primarily to the executive budget's including more employee benefits. The executive budget reduces the research programs at the University of Montana and Montana Tech below the appropriated level and applies a 2 percent vacancy savings rate.

Table F
Research Program Budget
Executive and LFA Current Level - 1991 Biennium

	<u>MSU</u>	<u>UM</u>	<u>MCMST</u>	<u>Total</u>
Executive	\$1,218,745	\$870,226	\$ 84,347	\$2,173,318
LFA	<u>1,195,722</u>	<u>943,871</u>	<u>100,613</u>	<u>2,240,206</u>
Diff.	<u>\$ 23,023</u>	<u>\$(73,645)</u>	<u>\$(16,266)</u>	<u>\$(66,888)</u>

ISSUE 6: PLANT PROGRAM

The executive budget is \$99,688 higher than LFA current level. LFA current level is incrementally budgeted using base year fiscal 1988 expenditures, with reductions for expenditures above the appropriated level.

Table G shows that Montana State University and Montana Tech's executive budgets are higher than LFA current level. The executive budget uses base expenditures that are lower than either actual expenditures or appropriations for fiscal 1988 for the University of Montana, Eastern Montana College, Northern Montana College, and Western Montana College.

Table G
Plant Program Budgets
Executive and LFA Current Level - 1991 Biennium

	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMCUM</u>	<u>MCMST</u>	<u>Total</u>
Executive	\$11,218,279	\$10,128,777	\$4,127,764	\$2,174,875	\$1,421,089	\$3,086,899	\$32,157,683
LFA	<u>10,738,155</u>	<u>10,553,608</u>	<u>4,141,745</u>	<u>2,228,196</u>	<u>1,477,914</u>	<u>2,918,377</u>	<u>32,057,995</u>
Diff.	\$ 480,124	\$ (424,831)	\$ (13,981)	\$ (53,321)	\$ (56,825)	\$ 168,522	\$ 99,688
	=====	=====	=====	=====	=====	=====	=====

The executive budget is \$480,124 higher than LFA current level for MSU. This difference results from: 1) personal services that are \$205,545 higher over the biennium due to a lower vacancy savings rate and the exclusion of personal services recharges in the executive budget; 2) operating costs that are \$184,009 higher due to higher insurance allocations to plant in the executive budget. Also, the executive allows a base expenditure increase in contracted services of approximately \$147,000 over the biennium; and 3) the executive includes \$80,570 more for equipment than LFA current level which is based on the average of actual expenditures for fiscal years 1986, 1987, and 1988.

The executive budget is \$424,831 lower than LFA current level for UM. This difference results primarily from: 1) base expenditure decreases to repairs and maintenance of \$219,741 in fiscal 1990 and \$216,741 in fiscal 1991 in the executive budget; 2) the executive did not allow the agency's request for additional funding to pay for anticipated sewer and water rate increases of \$13,000 per year; and 3) the executive included less for insurance allocated to plant than LFA current level for a difference of \$9,500 over the biennium. These differences are offset by a personal services difference of \$59,367 since the executive budget used a 2 percent vacancy savings rate, compared to a 4 percent rate in LFA current level.

The executive budget is \$13,981 lower than LFA current level for EMC. This difference results from: 1) lower utility inflation rates used by the executive budget, amounting to a difference of \$64,781; 2) the executive insurance allocation to plant is \$15,300 lower than LFA current level; 3) the executive equipment is \$30,000 higher than LFA current level; and 4) the executive personal services are \$38,216 higher than LFA current level because the executive used a lower vacancy savings rate (2 percent) than the LFA (4 percent).

The executive budget is \$53,321 lower than LFA current level for NMC. This difference results from: 1) personal services are \$125,000 and 4.10 FTE less in the executive than LFA current level; 2) the executive repair and maintenance budget is \$59,550 higher than LFA current level; and 3) the executive equipment is \$10,400 higher than LFA current level.

The executive budget is \$56,825 lower than LFA current level for WMCUM. This difference results from: 1) personal services are \$121,000 and 9.03 FTE lower in the executive budget than LFA current level; 2) operating costs are \$63,000 higher in the executive budget, including \$10,300 higher in contracted services, \$37,700 higher in supplies and materials, \$8,600 higher in

communications, and \$1,100 higher in repairs and maintenance than current level; and 3) the executive equipment budget is \$4,000 under the LFA current level.

The executive budget is \$168,522 higher than LFA current level for Montana Tech. This difference is due to the executive budget having: 1) \$127,000 higher personal services for more hourly wages and a lower vacancy savings rate than used in LFA current level; and 2) \$42,800 more equipment than included in LFA current level.

ISSUE 7: FUNDING

The executive budget includes \$1,811,707 less general fund than LFA current level due to LFA current level being \$1,111,291 higher than the executive budget and the following non-general fund revenue differences.

- 1) The executive six-mill levy estimates are \$717,000 higher than LFA estimates.
- 2) The executive tuition and fees estimates are \$144,266 higher than LFA current level based on the executive budget averaging fiscal 1987 and 1988 revenues.
- 3) The executive indirect cost reimbursement estimates are \$228,710 higher than LFA estimates.
- 4) The executive other revenue source estimates are \$374,060 lower than LFA estimates.
- 5) The executive budget includes \$16,000 more revenue than expenditures.

UNIVERSITY SYSTEM - SIX UNITS

	Actual Fiscal 1988	Appropriated Fiscal 1989	- - - Current Level - - -		% Change 1989-91 Biennium
			Fiscal 1990	Fiscal 1991	
FTE Enrollment	24,103	24,639	24,617	24,617	1.01
MSU	\$ 43,835,949	\$ 43,846,721	\$ 43,658,121	\$ 43,744,653	(0.32)
UM	36,169,716	36,759,817	35,888,338	35,964,856	(1.48)
EMC	13,360,591	13,428,017	14,365,395	14,407,753	7.41
NMC	7,783,723	7,995,264	8,219,572	8,235,094	4.28
WMCUM	4,400,590	4,343,768	4,385,645	4,394,214	0.41
MCMST	8,241,771	8,361,750	8,377,082	8,397,850	1.03
Total Expenditures	<u>\$113,792,340</u>	<u>\$114,735,337</u>	<u>\$114,894,153</u>	<u>\$115,144,420</u>	<u>0.66</u>

Fund Sources

General Fund	\$ 73,058,241	\$ 73,312,189	\$ 74,297,532	\$ 74,575,799	1.71
Millage	12,864,200	12,906,000	12,050,000	12,022,000	(6.59)
Tuition and Fees	26,084,109	26,910,677	26,641,946	26,641,946	0.55
Indirect Costs	1,194,980	1,136,471	1,227,175	1,227,175	5.27
Other	530,990	470,000	677,500	677,500	35.37
Spend Down Balance	<u>59,820</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>N/A</u>
Total Funds	<u>\$113,792,340</u>	<u>\$114,735,337</u>	<u>\$114,894,153</u>	<u>\$115,144,420</u>	<u>0.66</u>

ISSUES	- - - - Fiscal 1990 - - - -		- - - - Fiscal 1991 - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Student Faculty Ratio Options				
Option A:	\$ (502,087)	\$ -0-	\$ (502,237)	\$ -0-
Option B:	3,192,082	-0-	3,192,895	-0-
2. Faculty Salary Options				
Option A:	\$1,012,509	\$ -0-	\$1,012,748	\$ -0-
Option B:	7,083,745	-0-	7,085,498	-0-
3. AAUP Phased-in Salary & S/F Ratio				
Option A:	\$4,627,613	\$ -0-	\$8,199,008	\$ -0-
4. Mandatory Waivers				
Option A: System Pool	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Option B: Line Item	-0-	-0-	-0-	-0-
Option C: Current Level	-0-	-0-	-0-	-0-

The Montana University System is composed of two universities and four colleges which collectively serve approximately 25,000 students each year. Western Montana College was administratively merged with the University of

Montana in fiscal 1989. The current level budget reflects a biennial expenditure increase of 0.66 percent system-wide.

The university system expenditures are categorized in six functional areas: instruction, support, scholarships and fellowships, public service, research, and plant operations and maintenance. Formula budgeting is used for three of these programs: instruction, support, and scholarships and fellowships. Incremental budgeting is used for public service, research, and plant programs. The current level analysis program expenditures for each unit are listed in Table 1.

Table 1
Program Expenditures by Unit
1991 Biennium

<u>Program</u>	<u>MSU</u>	<u>UM</u>	<u>EMC</u>	<u>NMC</u>	<u>WMCUM</u>	<u>MCMST</u>	<u>Total</u>
----- Fiscal 1990 -----							
Instruction	\$23,764,909	\$18,681,926	\$ 6,906,483	\$4,041,505	\$2,104,143	\$4,158,436	\$ 59,657,402
Law School	-0-	262,200	-0-	-0-	-0-	-0-	262,200
Support	12,852,824	10,103,785	4,819,295	2,820,133	1,468,256	2,527,152	34,591,445
Scholarships	1,101,690	958,770	355,650	242,706	78,161	191,603	2,928,580
Public Svc.	10,749	167,782	231,447	8,891	-0-	-0-	418,869
Research	597,759	471,876	-0-	-0-	-0-	50,262	1,119,897
Plant	<u>5,330,190</u>	<u>5,241,999</u>	<u>2,052,520</u>	<u>1,106,337</u>	<u>735,085</u>	<u>1,449,629</u>	<u>15,915,760</u>
Total	<u>\$43,658,121</u>	<u>\$35,888,338</u>	<u>\$14,365,395</u>	<u>\$8,219,572</u>	<u>\$4,385,645</u>	<u>\$8,377,082</u>	<u>\$114,894,153</u>
----- Fiscal 1991 -----							
Instruction	\$23,770,458	\$18,686,286	\$ 6,909,686	\$4,041,505	\$2,104,629	\$4,159,406	\$ 59,671,970
Law School	-0-	262,200	-0-	-0-	-0-	-0-	262,200
Support	12,855,825	10,106,142	4,821,529	2,820,133	1,468,595	2,527,742	34,599,966
Scholarships	1,101,690	958,770	355,650	242,706	78,161	191,603	2,928,580
Public Svc.	10,752	167,854	231,663	8,891	-0-	-0-	419,160
Research	597,963	471,995	-0-	-0-	-0-	50,351	1,120,309
Plant	<u>5,407,965</u>	<u>5,311,609</u>	<u>2,089,225</u>	<u>1,121,859</u>	<u>742,829</u>	<u>1,468,748</u>	<u>16,142,235</u>
Total	<u>\$43,744,653</u>	<u>\$35,964,856</u>	<u>\$14,407,753</u>	<u>\$8,235,094</u>	<u>\$4,394,214</u>	<u>\$8,397,850</u>	<u>\$115,144,420</u>

Table 2 compares the current level program costs to the fiscal 1988 costs. Overall, the costs increase 1.13 percent over fiscal 1988. Instruction increases approximately 1 percent, while support increases 2 percent. Special law school fees of \$262,200 are included in the fiscal 1990 instruction program. This special fee is not part of the formula calculation. Scholarships and fellowships remain about the same as fiscal 1988, as do the research and plant programs. Public service decreases 4 percent due to higher program expenditures in fiscal 1988 than appropriated after some units transferred funds into public service from other programs.

Table 2
Comparison of Program Costs
Fiscal 1988 to Fiscal 1990

Program	Actual FY88	Current Level FY90	% Change FY88-90
Instruction	\$ 59,371,002	\$ 59,919,602	0.92
Support	33,907,752	34,591,445	2.02
Scholarships	2,944,341	2,928,580	(0.54)
Public Service	436,449	418,869	(4.03)
Research	1,115,208	1,119,897	0.42
Plant	15,833,300	15,915,760	0.52
Total	<u>\$113,608,052</u>	<u>\$114,894,153</u>	<u>1.13</u>

Instruction and Support

The instruction and support programs represent approximately 82 percent of total expenditures funded from current unrestricted operating funds at the units. Instruction program costs include activities relating to instruction and instructional support within the academic departments. The support program includes three major activities: academic support, student services, and institutional support. Expenditures relating to academic deans, libraries, intercollegiate athletics, student counseling services, registrar, budgeting, personnel, and other financial and academic administration are recorded in the support program.

Biennial legislative audit costs for the six units total \$412,304. Current level continues the 1987 legislative decision to require EMC, NMC, WMCUM, and MCMST to fund 25 percent of audit costs from funds other than current unrestricted; MSU and UM are required to fund 50 percent from sources other than current unrestricted. A total of \$262,188 in audit costs will be funded from current unrestricted funds.

Complex formulas were used in the past to budget instruction and support. The University Funding Study Committee recommends a much simpler formula for budgeting instruction and support which is used in the current level analysis presented here. The formula recommended by the funding study committee includes the following six data elements.

1. Fiscal year FTE student enrollment
2. Student faculty ratios
3. Instructional faculty salary
4. Benefit rates
5. Instructional support costs
6. Support program costs

Table 3 lists the values for the first four data elements as used in the current level budget.

Table 3
University System Formula Factors
1991 Biennium

Unit	Enrollment			Stu./Fac. Ratio 1991 Bien.	Fac. Salary Reported FY88	- Benefit Rate - Percent	
	FY87	FY88	Avg.			FY90	FY91
MSU	9,664	9,287	9,476	17.84	\$31,043	19.919	19.947
UM	7,966	7,552	7,759	18.70	31,221	19.994	20.022
EMC	3,288	3,303	3,296	19.09	26,375	20.762	20.818
NMC	1,710	1,551	1,631	15.45	25,185	21.037	21.037
WMCUM	926	828	877	15.52	24,490	21.065	21.093
MCMST	1,573	1,582	1,578	17.32	31,493	19.996	20.024
Total	25,127	24,103	24,617				

Enrollment

The enrollment used in Table 3 is an average of actual enrollment for the two prior completed fiscal years 1987 and 1988. The University Funding Study Committee and the Board of Regents agreed that using this actual enrollment would provide a more stable and accurate base for the formula than the projected enrollments as used in the previous funding formula.

Student/Faculty Ratio

The student faculty ratio used in current level is based on the application of the 1981 formula instructional productivity ratios to a two-year average of credit hour enrollment by discipline area. Table 4 compares the 1989 biennium student/faculty ratios derived using three-year average credit hour enrollment with the 1991 biennium current level student faculty ratios based on a two-year average. The ratios increase slightly at Montana State University, Northern Montana College, and Western Montana College, and decrease slightly at the University of Montana, Eastern Montana College, and Montana Tech.

Table 4
Student Faculty Ratios
1989 and 1991 Bienniums

Unit	1989 Biennium	1991 Biennium	Difference
MSU	17.80	17.84	0.04
UM	18.89	18.70	(0.19)
EMC	19.21	19.09	(0.12)
NMC	15.24	15.45	0.21
WMCUM	15.35	15.52	0.17
MCMST	17.46	17.32	(0.14)

Faculty Salary

The faculty salary is based on the university system reported fiscal 1988 average salary for all ranks as reported to the Board of Regents. Table 5 compares the fiscal 1988 reported average faculty salary at each unit, which is used in current level, to the formula salary used to develop the fiscal 1988 instruction budget. The formula salaries for Montana State University, the University of Montana, and Montana Tech are from \$57 to \$1,497 lower than the average reported faculty salaries in fiscal 1988. At the other three units, the formula salary is higher than the average faculty salary ranging from \$1,347 higher at Eastern Montana College to \$3,005 higher at Western Montana College. At these units, the formula salary would generate an instructional compensation budget greater than the expenditure for that item.

Table 5
Comparisons of the Reported Average Fiscal 1988 Salary
to the 1989 Biennium Formula Faculty Salary

Unit	Reported Average	Budgeted in Formula	- - - - Difference - - - -	
			Dollars	Percent
MSU	\$31,043	\$30,986	\$ (57)	(0.2)
UM	31,221	30,986	(235)	(0.8)
EMC	26,375	27,722	1,347	5.1
NMC	25,185	27,495	2,310	9.2
WMCUM	24,490	27,495	3,005	12.3
MCMST	31,493	29,996	(1,497)	(4.8)

Benefits

Benefits are based on the anticipated 1991 biennium rates for teachers' retirement, FICA, state unemployment, workers' compensation, and group health insurance. The benefit rates as shown in Table 3 on page 4 are slightly higher in fiscal 1991 due to an increase in FICA. Therefore, fiscal 1991 benefits calculated in the formula will be slightly higher than fiscal 1990.

Instruction Support and Support Program Data Elements

Expenditure percentages for the data elements instructional support costs and the support program costs are presented in Table 6. The average expenditures for instructional compensation have maintained a consistent percentage relationship to total instruction and support program expenditures over time as shown in Table 6. At the universities, instructional compensation expenditures average 54.0 percent of the total instruction and support program expenditures. The three colleges average 46.9 percent and Montana Tech averages 51.5 percent.

The remaining percentages, 46.0 for the universities, 53.1 for the colleges, and 48.5 for Montana Tech, are the percent of expenditures for instructional support and the support program. Additionally, support program expenditures maintain a relatively constant percentage relationship to total instruction and support program expenditures. The universities support program expenditures average 35.1 percent of the total instruction and support program expenditures.

The three colleges average 41.1 percent, and Montana Tech averages 37.8 percent. The current level formula calculations utilize a three-year average of the percentage relationships of instructional compensation expenditures to total instruction and support expenditures. A three-year average of support program expenditures as a percent of total instruction and support expenditures is used to calculate support program costs.

Table 6
University System Instructional Support and Support Program Percentages
1991 Biennium

Unit	Faculty Compensation Expenditures as a Percent of Instruction and Support Program Exp.				Support Program Expenditures as a Percent of Instruction and Support Program Exp.			
	FY86	FY87	FY88	Average	FY86	FY87	FY88	Average
MSU	53.8	53.6	53.5	53.6	35.0	34.4	34.8	34.7
UM	54.9	54.4	53.9	54.4	34.6	36.2	35.3	35.4
EMC	46.0	47.2	45.8	46.3	40.9	42.2	41.7	41.6
NMC	47.3	50.0	45.8	47.7	39.3	39.7	39.1	39.4
WMCUM	45.3	47.0	47.8	46.7	43.6	43.4	39.8	42.3
MCMST	49.6	52.0	52.9	51.5	39.2	37.5	36.7	37.8
Average By:	- - - Compensation Average - - -				- - - - Support Average - - - -			
Universities				54.0				35.1
Colleges				46.9				41.1
Tech				51.5				37.8

Instruction and Support Program Formula

Table 7 shows the university system formula calculation for the 1991 biennium using the formula factors for the fiscal 1990 instruction and support programs. The formula data elements (enrollment, student faculty ratio, faculty compensation, and faculty benefits) produce the instructional compensation for each unit as presented in the top portion of Table 7. The instructional compensation amount is then divided by the compensation average percent to calculate the total instruction and support programs for each unit. The support average percent is applied to the total instruction and support program amount to determine the portion that represents the support program. The instruction program amount is the remainder after the support program amount is subtracted from the total instruction and support amount.

Table 7
University System 1991 Biennium Formula Calculation
for Fiscal 1990

----- Formula Factors -----											
	Average		Student/		FTE		Faculty		Employee		Instructional
Unit	Student	÷	Faculty	=	Faculty	×	Salary	+	Benefits	=	Compensation
	Enrollment		Ratio								
MSU	9,476		17.84		531.17		\$31,043		19.919%		\$19,773,576
UM	7,759		18.70		414.92		31,221		19.994%		15,544,284
EMC	3,296		19.09		172.66		26,375		20.762%		5,499,390
NMC	1,631		15.45		105.57		25,185		21.037%		3,218,108
WMCUM	877		15.52		56.51		24,490		21.065%		1,675,455
MCMST	1,578		17.32		91.11		31,493		19.996%		3,443,078
Total	24,617				1,371.94						\$49,153,891
	=====				=====						=====

----- Instruction and Support Program Calculation -----								
	Instructional		Compensation	Total Instr.		Support		Support
Unit	Compensation	÷	Average	= Programs	×	Average	=	Program
MSU	\$19,773,576		54.0%	\$36,617,733		35.1%		\$12,852,824
UM	15,544,284		54.0%	28,785,711		35.1%		10,103,785
EMC	5,499,390		46.9%	11,725,778		41.1%		4,819,295
NMC	3,218,108		46.9%	6,861,638		41.1%		2,820,133
WMCUM	1,675,455		46.9%	3,572,399		41.1%		1,468,256
MCMST	<u>3,443,078</u>		51.5%	<u>6,685,588</u>		37.8%		<u>2,527,152</u>
Total	<u>\$49,153,891</u>			<u>\$94,248,847</u>				<u>\$34,591,445</u>

Unit	Total Instruction and Support Programs	-	Support Program	=	Instruction Program
MSU	\$36,617,733		\$12,852,824		\$23,764,909
UM	28,785,711		10,103,785		18,681,926
EMC	11,725,778		4,819,295		6,906,487
NMC	6,861,638		2,820,133		4,041,505
WMCUM	3,572,399		1,468,256		2,104,143
MCMST	6,685,588		2,527,152		4,158,436
	\$94,248,847		\$34,591,445		\$59,657,402

Special fees charged to law school students at the University of Montana are added to the instruction program for UM. The fees for this graduate level program are anticipated to be \$262,200 annually in the 1991 biennium.

Scholarships and Fellowships Program

The scholarships and fellowships program includes the discretionary and mandatory fee waivers granted by each unit. Discretionary waivers are awarded based on institutional decisions. The budget for discretionary fee waivers is calculated at 5.75 percent of the anticipated registration and resident incidental fees and 18.45 percent of anticipated nonresident incidental fees. Northern Montana College was budgeted an additional \$29,511 in fiscal 1988 and \$22,383 in fiscal 1989 as a phase-down from higher historic funding patterns to the same percent budgeted for the other units. The system-wide projection for discretionary fee waivers is \$2,007,650 for each year of the 1991 biennium.

Mandatory fee waivers are granted to students who meet criteria set out in state statute or board policies. Categories of students receiving mandatory fee waivers include: veterans, Native Americans, war orphans, prisoners of war, custodial, senior citizens, community college honor, high school honor, and National Merit. Based on fiscal 1988 expenditures for mandatory fee waivers and budgeted FTE enrollment, the projection for mandatory fee waivers is \$920,930 for each year of the 1991 biennium.

Public Service

Public service activities include non-instructional services established for the benefit of individuals and groups external to the institution. The 1987 legislature expressed concern about the appropriateness of the classification of the activities in the public service and research programs. Language was included in House Bill 2 requesting the six university units to account for expenditures consistently and within the classification standards of College and University Business Administration (CUBA). Current level is based on fiscal 1988 actual expenditures, with adjustments for inflation and for expenditures above legislatively appropriated levels. Table 8 lists and briefly describes those public service activities at the four units with public service programs: Montana State University, the University of Montana, Eastern Montana College, and Northern Montana College.

Table 8
Fiscal 1988 Public Service Program Expenditures From Current Unrestricted Funds

<u>Title and Description</u>	<u>Expenditures</u>
Montana State University	
1. <u>Shakespeare in the Park</u> travels across the state providing Shakespeare theater.	<u>\$ 11,875</u>
University of Montana	
1. <u>Summer Theater</u> provides theatrical productions during the summer months.	\$ 9,403
2. <u>Montana Repertory Theatre</u> serves the state and region by presenting high-quality theatrical productions.	19,039
3. <u>KUFM Public Radio Station</u> provides non-commercial radio to Western Montana.	133,099
4. <u>Community Visitation Program</u> provides funding to allow university faculty to guest lecture at Montana high schools.	2,021
5. <u>Speakers Bureau</u> provides commencement speakers to various communities in Montana.	<u>2,185</u>
Total UM Public Service Program	<u>\$165,747</u>
Eastern Montana College	
1. <u>KEMC - FM Radio</u> provides public radio services to southeastern Montana and 15 translators in the area.	\$ 62,513
2. <u>Montana Center for Handicapped Children</u> serves handicapped individuals and families with evaluation and diagnostic services.	<u>186,483</u>
Total EMC Public Service Program	<u>\$248,996</u>
Northern Montana College	
1. <u>Match Technology Resource Center</u> provided matching funds to acquire equipment for reception of satellite programs for NMC and area audiences.	<u>\$ 9,823</u>
SYSTEM PUBLIC SERVICE PROGRAM	<u>\$436,441</u>

Eastern Montana College's public service program, Montana Center for Handicapped Children, has been reduced approximately \$17,500 from the fiscal 1988 expenditure level for each year of the 1991 biennium. The main reduction occurs in contract services where consultant fees increased from an average of \$4,518 for fiscal years 1985, 1986, and 1987 to \$22,913 in fiscal 1988. The agency has requested \$27,000 in fiscal 1990 and \$30,000 in fiscal 1991 for physical therapy services. This level of expenditure has not been considered by the legislature; therefore, the base for contract services has been reduced to the

fiscal 1989 appropriated level of \$5,735. Overall Eastern's base is maintained at the fiscal 1989 appropriated level for the 1991 biennium.

Research

The research program, funded from current unrestricted funds, provides financial support for research efforts to benefit Montana and for individual efforts of faculty and graduate students. Total fiscal 1988 expenditures from this program were \$1,115,209. Research budgets are based on fiscal 1988 actual expenditures, with adjustments for inflation and for expenditures above legislatively appropriated levels. Current level reduces base expenditures to fiscal 1988 appropriated amounts.

As Table 9 shows, Montana State University funded eight research areas costing \$597,743 of current unrestricted funds. Montana State University reports total grant and contract expenditures for research in fiscal 1988 of \$14.95 million.

Montana State University spent \$248,017 in support of the departmental research projects. The chemical engineering department spent \$43,428 on three research projects, while the civil engineering department spent \$84,301 on nine research projects. The electrical engineering department spent \$105,282 on seven projects, the industrial and management engineering department spent \$36,876 on three research projects, and the mechanical engineering department spent \$55,839 on four research projects. The computer science department had one project and spent \$15,978, while the Department of Letters and Sciences spent \$8,022 on one research project.

Table 9
Montana State University Fiscal 1988 Research Program Expenditures

1. <u>Research Support</u>	
Institute for Process Analysis	\$ 41,592
Computer Costs (Organized Research)	154,406
Research Benefit Pool	52,019
Total Research Support	\$248,017
2. <u>Chemical Engineering</u>	
Classified Salaries	\$ 5,328
Selective Oxidation and Component Stratification in Corrosion of Metal Alloys	16,485
Micro-shearing of Microbial Cell Systems	11,586
Continuous Chromatography using Time-varying Eluent Flow	10,029
Total Chemical Engineering	\$ 43,428
3. <u>Civil Engineering</u>	
Chemical Engineering Control Account	\$ 3
Classified Salaries	7,600
Thermonuclear Properties of Sea Ice	9,494
Automatic Image Matching Stereo Photogrammetry	10,074
Preliminary Building Structural Design Expert System	10,469
Asphalt Pavement Core Program for Rutting in Montana	7,534
Criteria for Estimating the Probable Maximum Flood for Intermountain and High Plains Basins	9,400
Feasibility of Biocatalyzed Partial Demineralization of Acidic Metal Sulfate	8,639
Peaking Factors and Energy Conservation in Water Systems in Montana Communities	3,610
Annular Shear Cell Experiments and Drought Frequency Analysis	15,978
Rural Technical Assistance Program Support	1,500
Total Civil Engineering	\$ 84,301
4. <u>Electrical Engineering</u>	
Classified Salaries	\$ 8,991
Systems Research on Optimization and Parallel Processing	20,720
Montana Electric Power Research Association Support: Power Engineering	15,000
Kejariwal Block Montana Electric Power Research Association Support	15,000
New Faculty Support: Data Acquisition for EE Machine Lab using PC's	11,664
New Faculty Support: Bridger Processor Array Investigation	11,805
New Faculty Support: Determination of Constraints on the "Traveling Salesman" Network Problem	10,382
New Faculty Support: Industrial and Management Engineering	11,720
Total Electrical Engineering	\$105,282
5. <u>Industrial and Management Engineering</u>	
Industrial Engineering Control Account	\$ 6,324
Multi-Task Executive Program for a Vision-Assisted Automatic Assembly Cell	13,647
New Faculty Support	1,905
University Technical Assistance Program (UTAP)	15,000
Total Industrial and Management Engineering	\$ 36,876
6. <u>Mechanical Engineering</u>	
Classified Salaries	\$ 6,498
Wind Tunnel Facility Research Support	4,000
Effects of Biofilms on Heat Transfer	20,017
Gas Densitometer	15,826
Development of an Optical Probe for the Detection of Bubbles in High-Temp. Fluidized Bed	9,498
Total Mechanical Engineering	\$ 55,839
7. <u>Computer Science</u>	
Development of the Grail High Performance Graphics and Image Analysis Lab	\$ 15,978
8. <u>Letters and Science</u>	
L & S Survey Research Center	\$ 8,022
Total MSU Research Program	\$597,743

Montana College of Mineral Science and Technology expended \$47,184 of current unrestricted funds on the seven research projects listed in Table 10. Montana Tech's total reported fiscal 1988 research expenditures are \$1.03 million. The college spent \$18,205 on Energy and Minerals Research projects, and \$20,815 on seed money for three departments under the Montanan's in a New Track for Science (MONTs) project. A total of \$8,164 was spent on research support.

Table 10
Montana College of Mineral Science and Technology
Fiscal 1988 Research Program Expenditures

1. <u>Energy and Minerals Research</u>	\$18,205
2. <u>Montanan's in a New Track for Science (MONTs)</u>	
Geology Department Seed Money	\$11,837
Petroleum Department Seed Money	6,478
Chemistry Department Seed Money	<u>2,500</u>
Total MONTs	\$20,815
3. <u>Research Support</u>	
Organized Research - Benefits	\$ 3,466
Duplicate/Copy/Comp.	1,539
New Personnel Costs	<u>3,159</u>
Total Research Support	\$ 8,164
Total MCMST Research Program	<u><u>\$47,184</u></u>

Table 11 shows that the University of Montana expended \$470,282 of current unrestricted funds in ten research areas. The University of Montana's total grants and contracts expenditures for research in fiscal 1988 were approximately \$5.0 million.

Table 11
University of Montana Fiscal 1988 Research Program Expenditures

1. Bureau of Business and Economics	\$213,104
2. Biological Station Research in Limnology and Freshwater Research	25,222
3. Research Animal Care	96,387
4. University Research and Small Grants	14,710
5. Industrial Research for Economic Development	15,463
6. Developmentally Disabled Programs	7,275
7. Wildlife Research	29,260
8. Wood Chemistry Lab	23,270
9. Stella Duncan Memorial Biomedical Research	16,790
10. Research Computer Costs	<u>28,801</u>
Total UM Research Program	<u><u>\$470,282</u></u>

In addition to House Bill 2 appropriations for research, the 1987 legislature appropriated other research funds for the University of Montana in House Bill 599 and House Bill 84. The biological station at Yellow Bay received a biennial appropriation of \$100,000 in general fund and \$50,000 from the Department of Fish, Wildlife, Parks, and Recreation. This appropriation was for the 1989 biennium and is not included in current level. A Montana travel research program was established at the University of Montana to conform with a statutory appropriation of the accommodations tax in Section 15-65-121, MCA. After costs of administering the accommodations tax have been determined, 2.5 percent of the remaining tax revenue is appropriated to the university system to maintain a Montana travel research program. The travel research program is expected to receive approximately \$120,000 each year of the 1991 biennium for the statutory appropriation.

Plant Operation and Maintenance

The plant operation and maintenance program includes those activities that relate to the operation and maintenance of grounds and facilities. The current level budget for this program is based on fiscal 1988 expenditures adjusted for inflation. Inflation rates are applied based on those published by the Governor's Office of Budget and Program Planning for the 1991 biennium budgeting process. Four percent vacancy savings is applied to plant personal services. Special adjustments were made for insurance costs for all units of the university system and water and sewer rates were adjusted for three units.

Insurance costs included in the plant program are based on quotes from the Department of Administration Tort Claims Division and an allocation method developed by the Office of the Commissioner of Higher Education (CHE) during the 1987 session. Table 12 shows the quotes for property and boiler insurance from the Tort Claims Division and the allocation using the CHE method for fiscal years 1988, 1990, and 1991. Insurance costs allocated to the plant increase from \$188,695 in fiscal 1988 to \$275,538 in fiscal 1990 for an overall increase of \$86,843, or 46 percent. The balance of the insurance costs not allocated to plant are allocated to other programs at the institutions.

Table 12
Insurance Costs - Plant
1991 Biennium

Unit	Tort Claims Division			CHE Allocation	
	Property Insurance	Boiler Insurance	Total	Percent in Plant	Amount Allocated
Fiscal 1988					
MSU	\$ 91,996	\$ 4,229	\$ 96,225	82.4	\$ 79,333
UM	81,105	4,866	85,971	61.1	56,843
EMC	23,749	2,185	25,934	68.7	17,817
NMC	14,211	1,896	16,107	79.1	12,744
WMCUM	10,573	1,224	11,797	68.6	8,096
MCMST	16,380	595	16,975	81.7	13,862
Total	<u>\$238,014</u>	<u>\$14,995</u>	<u>\$253,009</u>		<u>\$188,695</u>
Fiscal 1990					
MSU	\$136,917	\$3,841	\$140,758	82.4	\$115,985
UM	121,263	4,419	125,682	66.1	83,076
EMC	34,573	1,984	36,557	68.7	25,115
NMC	20,755	1,722	22,477	79.1	17,779
WMCUM	15,391	1,111	16,502	68.6	11,320
MCMST	26,699	551	27,250	81.7	22,263
Total	<u>\$355,598</u>	<u>\$13,628</u>	<u>\$369,226</u>		<u>\$275,538</u>
Fiscal 1991					
MSU	\$136,917	\$4,032	\$140,949	82.4	\$116,142
UM	121,263	4,640	125,903	66.1	83,222
EMC	34,573	2,084	36,657	68.7	25,183
NMC	20,755	1,808	22,563	79.1	17,847
WMCUM	15,391	1,167	16,558	68.6	11,359
MCMST	26,699	578	27,277	81.7	22,285
Total	<u>\$355,598</u>	<u>\$14,309</u>	<u>\$369,907</u>		<u>\$276,038</u>

Water and sewer costs were increased for Montana State University by \$15,358 in fiscal 1990 and \$21,578 in fiscal 1991, or approximately 12 percent over the biennium. Water and sewer costs increase 25 percent at Montana Tech from fiscal 1988 to the 1991 biennium for a total increase of \$8,090. The University of Montana water and sewer rates increase by 9.7 percent for a total 1991 biennium increase of \$26,294.

Revenue Sources

The Montana University System units are funded from several sources including: general fund, statewide six-mill levy proceeds, tuition and fees, indirect cost reimbursements, and other miscellaneous sources. Table 13 details the current level funding estimate for each revenue source by unit for the 1991 biennium. General fund and the six-mill levy provide the majority of the funding, followed by tuition and fees.

Table 13
Revenue Sources by Unit
1991 Biennium

Revenue Source	MSU	UM	EMC	NMC	WMCUM	MCMTST	Total
----- Fiscal 1990 -----							
General Fund	\$27,710,243	\$22,529,334	\$ 9,604,468	\$5,807,373	\$3,032,547	\$5,613,567	\$ 74,297,532
Six-Mill Levy	4,641,660	3,836,720	1,406,235	827,835	461,515	876,035	12,050,000
Tuition & Fees	10,133,482	9,085,435	3,278,816	1,557,127	864,204	1,722,882	26,641,946
Indirect Costs	863,236	281,349	38,876	4,237	2,879	36,598	1,227,175
Other	309,500	155,500	37,000	23,000	24,500	128,000	677,500
Total	<u>\$43,658,121</u>	<u>\$35,888,338</u>	<u>\$14,365,395</u>	<u>\$8,219,572</u>	<u>\$4,385,645</u>	<u>\$8,377,082</u>	<u>\$114,894,153</u>
----- Fiscal 1991 -----							
General Fund	\$27,807,561	\$22,614,767	\$ 9,650,094	\$5,824,819	\$3,042,188	\$5,636,370	\$ 74,575,799
Six-Mill Levy	4,630,874	3,827,805	1,402,967	825,911	460,443	874,000	12,022,000
Tuition & Fees	10,133,482	9,085,435	3,278,816	1,557,127	864,204	1,722,882	26,641,946
Indirect Costs	863,236	281,349	38,876	4,237	2,879	36,598	1,227,175
Other	309,500	155,500	37,000	23,000	24,500	128,000	677,500
Total	<u>\$43,744,653</u>	<u>\$35,964,856</u>	<u>\$14,407,753</u>	<u>\$8,235,094</u>	<u>\$4,394,214</u>	<u>\$8,397,850</u>	<u>\$115,144,420</u>

General Fund

The current level estimate of general fund results from first applying all nongeneral fund sources to the estimated expenditures, with the balance being general fund. A general fund increase of 1.71 percent is estimated for the system in the 1991 biennium under current level.

Six-Mill Levy

The statewide six-mill levy was reauthorized for ten years by the voters of Montana to extend from January 1, 1989, to December 31, 1998. The referendum provides for the statewide collection of up to six mills, levied on the taxable value of all real and personal property in the state. These funds are subject to legislative appropriation. An estimated \$12,050,000 will be available in fiscal 1990 and \$12,022,000 in fiscal 1991. These figures represent a decrease of 6.6 percent from the 1989 biennium.

Tuition and Fees

The tuition and fee estimate used in the current level analysis is based upon fiscal 1989 tuition and fees schedules adopted by the Board of Regents of Higher Education. Registration fees are \$45 per student per academic year, and resident incidental fees are \$792 per student FTE at each of the units. The additional nonresident incidental fees are \$1,386 at Eastern Montana College, Northern Montana College, and Western Montana College; and \$1,746 at Montana State University, the University of Montana, and Montana Tech. The estimated tuition and fees revenue provides 23.2 percent of the current level 1991 biennium revenue for the university system.

Indirect Costs Reimbursement

Institutional costs are incurred in providing support for government-supported research. These costs include accounting, administration, utilities, library expenses, etc., and are provided for with indirect cost reimbursements that are calculated as a portion of the total amount of the research project. Both federal and state projects allow indirect costs reimbursement to the institutions providing the supporting activities for the research. The 1987 legislature projected approximately 50 percent of the indirect costs reimbursement to be deposited in the current unrestricted fund. The portion of indirect cost reimbursements that exceeded the amount set forth in the current unrestricted operating subfund appropriation for each unit was appropriated to the respective units. The indirect cost reimbursements for student aid programs are required to be fully deposited in the current unrestricted subfund with no deductions. These costs are recorded in the "Other" revenue category so that the revenue in the "Indirect Cost" category represents only the indirect cost reimbursements that are available for division between the current unrestricted subfund and the individual units' accounts. Current level 1991 biennium revenue estimates are projected at 50 percent of the fiscal 1988 indirect cost reimbursements at each unit.

Other

The estimated funding from other sources is based on fiscal 1988 revenue. The indirect cost reimbursements for student aid that are fully deposited in the current unrestricted subfund are recorded in this revenue category for the 1991 biennium.

ISSUES

The student faculty ratios and the faculty salary data elements are major factors in the current level funding formula. Using different values for either set of data elements changes the instruction and support program budgets, as the following issues point out.

ISSUE 1: STUDENT FACULTY RATIO OPTIONS

The student faculty (S/F) ratio represents the number of students per instructional FTE. By increasing the ratio, the overall cost decreases, assuming all other variable factors remain constant. Conversely, by decreasing the ratio the overall cost increases. The student faculty ratio used in current level is based on the application of the 1981 formula instructional productivity ratios applied to a two-year average of student credit hour enrollment by discipline area. The calculations are carried out to two decimal places, inferring a degree of accuracy that does not actually exist.

The legislature may want to adopt a student faculty ratio that is rounded to the nearest whole number as presented in Table 14. Table 14 compares the instruction and support costs generated by the current level student faculty ratio at two decimal places with the costs generated by the current level student faculty ratio rounded to the nearest whole number.

Table 14
Comparison of Current Level Student Faculty Ratio at Two Decimal Places
Versus Rounded to a Whole Number

	Current Level			S/F Ratio Rounded			Difference		
	S/F	Total	Total	S/F	Total	Total	S/F	Total	Total
Unit	Ratio	Instruction	Support	Ratio	Instruction	Support	Ratio	Instruction	Support
Fiscal 1990									
MSU	17.84	\$23,764,909	\$12,852,824	18.00	\$23,553,285	\$12,738,372	.16	\$(211,624)	\$(114,452)
UM	18.70	18,681,926	10,103,785	19.00	18,387,010	9,944,284	.30	(294,916)	(159,501)
EMC	19.09	6,906,483	4,819,295	19.00	6,938,884	4,841,903	(.09)	32,401	22,608
NMC	15.45	4,041,505	2,820,133	15.00	4,162,478	2,904,548	(.45)	120,973	84,415
WMCUM	15.52	2,104,143	1,468,256	16.00	2,040,844	1,424,086	.48	(63,299)	(44,170)
MCMST	17.32	4,158,436	2,527,152	17.00	4,236,483	2,574,583	(.32)	78,047	47,431
Total		<u>\$59,657,402</u>	<u>\$34,591,445</u>		<u>\$59,318,984</u>	<u>\$34,427,776</u>		<u>\$(338,418)</u>	<u>\$(163,669)</u>
Fiscal 1991									
MSU	17.84	\$23,770,458	\$12,855,825	18.00	\$23,558,785	\$12,741,346	.16	\$(211,673)	\$(114,479)
UM	18.70	18,686,286	10,106,142	19.00	18,391,301	9,946,605	.30	(294,985)	(159,537)
EMC	19.09	6,909,686	4,821,529	19.00	6,942,101	4,844,148	(.09)	32,415	22,619
NMC	15.45	4,041,505	2,820,133	15.00	4,162,478	2,904,548	(.45)	120,973	84,415
WMCUM	15.52	2,104,629	1,468,595	16.00	2,041,316	1,424,415	.48	(63,313)	(44,180)
MCMST	17.32	4,159,406	2,527,742	17.00	4,237,472	2,575,184	(.32)	78,066	47,442
Total		<u>\$59,671,970</u>	<u>\$34,599,966</u>		<u>\$59,333,453</u>	<u>\$34,436,246</u>		<u>\$(338,517)</u>	<u>\$(163,720)</u>

The instruction and support costs for MSU, UM, and WMCUM **decrease** as the result of rounding the student faculty ratio up while the costs **increase** for EMC, NMC, and MCMST as their respective student faculty ratios decrease to the nearest whole number. Overall the instruction costs decrease \$676,935 for the biennium while support costs decrease \$327,389. The costs decrease because the two universities, with their relative sizes, have higher student faculty ratios as a result of the rounding.

Table 15 lists five ratios and shows the rounded average of these student faculty ratios. Ratio 1 is the current level student faculty ratio which was determined using formula productivity ratios adopted by the 1981 legislature. Ratio 2 is a simple average for the Montana units calculated using fiscal 1987 academic year student FTE enrollment divided by academic year instructional FTE. Ratio 3 is a simple average calculated in the same manner for the peer institutions. Ratio 4 is the ratio used in the 1989 biennium. Ratio 5 applies the university funding study new peer productivity ratios to the same data used to develop the 1989 biennium ratio.

Table 15
Rounded Average Student Faculty Ratios

Ratio	(1)	(2)	(3)	(4)	(5)	
	1991	Simple	Simple	1989		
Unit	Biennium	Average	Average	Biennium	FY87 UFS	Average
		Montana	Peers			
MSU	17.84	16.67	16.14	17.80	15.61	17
UM	18.70	17.79	16.14	18.89	17.01	18
EMC	19.09	18.86	19.16	19.21	18.51	19
NMC	15.45	15.47	15.91	15.24	15.83	16
WMCUM	15.52	18.26	15.03	15.35	16.72	16
MCMST	17.32	16.82	11.61	17.46	16.17	16

Table 16 presents a comparison of the current level instruction and support costs as generated by the current level student faculty ratio to costs generated by the average student faculty ratio shown in Table 15 when all other factors are constant.

Table 16
Comparison of the Current Level and Average Student Faculty Ratio

- - - - Current Level - - - -				- - Student/Faculty Ratio - -			- - - - Difference - - - -		
				Rounded to Nearest Whole Number			From Current Level		
Unit	Stu/ Fac	Total Instruction	Total Support	Stu/ Fac	Total Instruction	Total Support	Stu/ Fac	Total Instruction	Total Support
- - - - - Fiscal 1990 - - - - -									
MSU	17.84	\$23,764,909	\$12,852,824	17.00	\$24,938,904	\$13,487,759	(.84)	\$1,173,995	\$ 634,935
UM	18.70	18,681,926	10,103,785	18.00	19,408,636	10,496,812	(.70)	726,710	393,027
EMC	19.09	6,906,483	4,819,295	19.00	6,938,884	4,841,903	(.09)	32,401	22,608
NMC	15.45	4,041,505	2,820,133	16.00	3,902,538	2,723,163	.55	(138,967)	(96,970)
WMCUM	15.52	2,104,143	1,468,256	16.00	2,040,844	1,424,086	.48	(63,299)	(44,170)
MCMST	17.32	4,158,436	2,527,152	16.00	4,501,663	2,735,737	(1.32)	343,227	208,585
Total		\$59,657,402	\$34,591,445		\$61,731,469	\$35,709,460		\$2,074,067	\$1,118,015
		=====	=====		=====	=====		=====	=====
- - - - - Fiscal 1991 - - - - -									
MSU	17.84	\$23,770,458	\$12,855,825	17.00	\$24,944,727	\$13,490,908	(.84)	\$1,174,269	\$ 635,083
UM	18.70	18,686,286	10,106,142	18.00	19,413,164	10,499,262	(.70)	726,878	393,120
EMC	19.09	6,909,686	4,821,529	19.00	6,942,101	4,844,148	(.09)	32,415	22,619
NMC	15.45	4,041,505	2,820,133	16.00	3,902,538	2,723,163	.55	(138,967)	(96,970)
WMCUM	15.52	2,104,629	1,468,595	16.00	2,041,316	1,424,415	.48	(63,313)	(44,180)
MCMST	17.32	4,159,406	2,527,742	16.00	4,502,713	2,736,376	(1.32)	343,307	208,634
Total		\$59,671,970	\$34,599,966		\$61,746,559	\$35,718,272		\$2,074,589	\$1,118,306
		=====	=====		=====	=====		=====	=====

The student faculty ratios decrease for four of the units, MSU, UM, EMC, and MCMST resulting in higher instruction and support costs for these four units while NMC and WMCUM costs decrease as the ratio increases. Overall the instruction costs increase \$4.1 million for the biennium while support costs increase \$2.2 million.

Option A: Adopt the current level student faculty ratio rounded to a whole number. This option would decrease instruction and support program costs by \$502,087 in fiscal 1990 and \$502,237 in fiscal 1991.

Option B: Adopt an average student faculty ratio. This option would increase instruction and support program costs by \$3,192,082 in fiscal 1990 and \$3,192,895 in fiscal 1991.

Option C: Adopt the current level student faculty ratio.

ISSUE 2: FACULTY SALARY OPTIONS

The current level average faculty salaries are based on the average fiscal 1988 faculty salaries for all ranks as reported to the Board of Regents. Table 17 compares the current level, fiscal 1988 reported salary to the 1989 biennium formula salary. The table shows that MSU and UM have average salaries slightly above the appropriated formula salary of \$30,986 and MCMST has average faculty salaries nearly \$1,500 above the appropriated formula salary of \$29,996. EMC, NMC, and WMCUM all have average salaries less than the appropriated formula salaries. The EMC average salary is \$1,347 lower, the NMC average salary is \$2,310 lower and the WMCUM average salary is \$3,005, or 12.3 percent, lower than the appropriated formula salary. The two universities are within 1 percent of the appropriated formula salary, while the four colleges vary from 12.3 percent below to 4.8 percent above the appropriated level.

Table 17
Current Level Compared to
1989 Biennium Formula Salary

	<u>Fiscal 1988 Reported Salary</u>	<u>1989 Biennium Formula Salary</u>	<u>Difference</u>	<u>Percent Increase</u>
MSU	\$31,043	\$30,986	\$ (57)	(0.2)
UM	31,221	30,986	(235)	(0.8)
EMC	26,375	27,722	1,347	5.1
NMC	25,185	27,495	2,310	9.2
WMCUM	24,490	27,495	3,005	12.3
MCMST	31,493	29,996	(1,497)	(4.8)

Table 18 presents a comparison of the current level instruction and support costs as generated by the average fiscal 1988 reported faculty salary to the costs generated using the 1989 biennium appropriated salary while holding all other factors constant.

Table 18
Comparison of Instruction and Support Program Costs using the 1989 Biennium
Appropriated Formula Salary to the Current Level 1988 Reported Average Salary

Unit	- - - Current Level - - -		- - - 1989 Biennium - - - Appropriated Salary		- - - Difference From - - - Current Level	
	Total	Total	Total	Total	Total	Total
	Instruction	Support	Instruction	Support	Instruction	Support
- - - Fiscal 1990 - - -						
MSU	\$23,764,909	\$12,852,824	\$23,723,053	\$12,830,188	\$ (41,856)	\$ (22,636)
UM	18,681,926	10,103,785	18,546,561	10,030,574	(135,365)	(73,211)
EMC	6,906,483	4,819,295	7,243,937	5,054,767	337,454	235,472
NMC	4,041,505	2,820,133	4,395,428	3,067,099	353,923	246,966
WMCUM	2,104,143	1,468,256	2,350,307	1,640,028	246,164	171,772
MCMST	4,158,436	2,527,152	3,967,996	2,411,418	(190,440)	(115,734)
Total	<u>\$59,657,402</u>	<u>\$34,591,445</u>	<u>\$60,227,282</u>	<u>\$35,034,074</u>	<u>\$ 569,880</u>	<u>\$ 442,629</u>
- - - Fiscal 1991 - - -						
MSU	\$23,770,458	\$12,855,825	\$23,728,591	\$12,833,183	\$ (41,867)	\$ (22,642)
UM	18,686,286	10,106,142	18,550,887	10,032,915	(135,399)	(73,227)
EMC	6,909,686	4,821,529	7,247,302	5,057,116	337,616	235,587
NMC	4,041,505	2,820,133	4,395,428	3,067,099	353,923	246,966
WMCUM	2,104,629	1,468,595	2,350,853	1,640,409	246,224	171,814
MCMST	4,159,406	2,527,742	3,968,920	2,411,981	(190,486)	(115,761)
Total	<u>\$59,671,970</u>	<u>\$34,599,966</u>	<u>\$60,241,981</u>	<u>\$35,042,703</u>	<u>\$ 570,011</u>	<u>\$ 442,737</u>

The faculty salaries, instruction support, and support program costs decrease for three units -- MSU, UM, and MCMST -- because the 1989 biennium appropriated formula salary for these units is less than the current level average faculty salary. The instruction and support program costs for EMC, NMC, and WMCUM would increase under this option since the appropriated formula salary is higher than the current level average salary. Overall, the instruction and support program costs increase approximately \$1 million each year.

The American Association of University Professors (AAUP) annually publishes a survey of national college and university average full-time faculty salaries. The data is available by geographic region; Montana is grouped in the West Mountain Region with the states of Idaho, Wyoming, Utah, Colorado, New Mexico, Arizona, and Nevada. The institutions are classified by categories based on programs and degrees offered. Table 19 lists the fiscal 1988 AAUP average West Mountain Region salaries for categories I and IIA, the rankings for the Montana institutions. For formula salary purposes the categories have been adjusted for Montana State University and for Montana Tech. Although Montana State University is technically in Category IIA, its function within Montana is more similar to the University of Montana and the Category I schools than to the Montana colleges and Category II schools, so MSU has been placed in Category I. Montana Tech is a specialized small college, and the formula salary has

traditionally been based on the program mix between specialized engineering programs and the more general college offerings at Tech, and weighted at 45 percent of the Category I salary and 55 percent of Category IIA.

Oklahoma State University (OSU) annually publishes a survey of faculty salary by discipline. The formula adopted by the 1981 legislature recognized the cost differences resulting from the mix of disciplines and changing enrollment with cost factors based on enrollment by credit hour by discipline area. To continue to recognize the differing costs relative to discipline areas, the faculty salary was indexed using the most recent OSU Faculty Salary Survey by Discipline. Each average salary by discipline was indexed in relation to the average overall salary, and the indexes applied to the Montana schools' enrollment by discipline area. An overall index of average salary for each campus reflects the differing salary demands in each discipline area. In Table 19 these indexes are multiplied times the AAUP salary.

The Advisory Commission on Intergovernmental Relations (ACIR) annually publishes a report on the fiscal performance of the individual states. A uniform tax rate is applied to a common set of tax bases to determine the tax capacity of each state and provide comparable interstate data. The ability of each state to meet budget demands varies from state to state, and using the most recent available ACIR data, Montana's tax capacity is 84.9 percent of the West Mountain Region states. Table 19 shows the adjusted AAUP West Mountain Region salaries after Montana's tax capacity is applied to the indexed AAUP average salary.

The adjusted AAUP average salary is compared with the current level, which is the fiscal 1988 reported salary. Overall average salaries increase from 5.6 percent, or \$1,464, at EMC to 9.8 percent, or \$3,046, at MSU.

Table 19
Current Level Compared to AAUP Average Salary
Indexed and Adjusted for Tax Capacity

Unit	AAUP Avg	Percent	Indexed AAUP	Percent	Adj. AAUP	FY88 Reported	Difference	Percent
	Salary	Discipline Index		Tax Capacity				
			Avg. Salary		Avg Salary	Salary		Increase
MSU	\$38,240	105	\$40,152	84.9	\$34,089	\$31,043	\$3,046	9.8
UM	38,240	102	39,005	84.9	33,115	31,221	1,894	6.1
EMC	32,790	100	32,790	84.9	27,839	26,375	1,464	5.6
NMC	32,790	97	31,806	84.9	27,004	25,185	1,819	7.2
WMCUM	32,790	96	31,478	84.9	26,725	24,490	2,235	9.1
MCMST	35,243	114	40,177	84.9	34,110	31,493	2,617	8.3

Table 20 presents a comparison of the current level instruction and support costs as generated by the average 1988 reported faculty salary to the costs generated using the adjusted AAUP West Mountain Region average salary.

Table 20
Comparison of Instruction and Support Program Costs using the Adjusted AAUP
Average Salary to the Current Level 1988 Reported Average Salary

Unit	- - - Current Level - - -		AAUP Mountain West Average Salary Indexed and Adjusted for Tax Capacity		- - - Difference From - - - Current Level	
	Total	Total	Total	Total	Total	Total
	Instruction	Support	Instruction	Support	Instruction	Support
- - - Fiscal 1990 - - -						
MSU	\$23,764,909	\$12,852,824	\$26,010,373	\$14,067,244	\$2,245,464	\$1,214,420
UM	18,681,926	10,103,785	19,773,472	10,694,128	1,091,546	590,343
EMC	6,906,483	4,819,295	7,273,242	5,075,216	366,759	255,921
NMC	4,041,505	2,820,133	4,320,193	3,014,600	278,688	194,467
WMCUM	2,104,143	1,468,256	2,287,237	1,596,017	183,094	127,761
MCMST	4,158,436	2,527,152	4,491,381	2,729,489	332,945	202,337
Total	<u>\$59,657,402</u>	<u>\$34,591,445</u>	<u>\$64,155,898</u>	<u>\$37,176,694</u>	<u>\$4,498,496</u>	<u>\$2,585,249</u>
- - - Fiscal 1991 - - -						
MSU	\$23,770,458	\$12,855,825	\$26,016,467	\$14,070,539	\$2,246,009	\$1,214,714
UM	18,686,286	10,106,142	19,778,096	10,696,628	1,091,810	590,486
EMC	6,909,686	4,821,529	7,276,621	5,077,575	366,935	256,046
NMC	4,041,505	2,820,133	4,320,193	3,014,600	278,688	194,467
WMCUM	2,104,629	1,468,595	2,287,768	1,596,388	183,139	127,793
MCMST	4,159,406	2,527,742	4,492,432	2,730,127	333,026	202,385
Total	<u>\$59,671,970</u>	<u>\$34,599,966</u>	<u>\$64,171,577</u>	<u>\$37,185,857</u>	<u>\$4,499,607</u>	<u>\$2,585,891</u>

Instruction and support costs increase using the AAUP average salaries as shown in Table 20. MSU instruction and support costs increase the most followed by UM because of the relative numbers of FTE compared to Montana Tech and the other units. Overall this option increases instruction costs for the biennium by nearly \$9 million and support costs increase \$5.2 million.

Option A: Adopt the 1989 biennium formula faculty salary. This option will increase instruction and support program costs by \$1,012,509 in fiscal 1990 and \$1,012,748 in fiscal 1991.

Option B: Adopt the adjusted AAUP average faculty salary. This option will increase instruction and support program costs \$7,083,745 in fiscal 1990 and \$7,085,498 in fiscal 1991.

Option C: Adopt the current level reported fiscal 1988 average faculty salary.

ISSUE 3: ADJUSTED WEST MOUNTAIN REGION FACULTY SALARIES AND AVERAGE STUDENT/FACULTY RATIO

The adjusted AAUP West Mountain Region salary from Issue 2 aligns Montana's average faculty salary with comparable institutions in the

geographic region, and adjusts the salary for the state's relative tax capacity and for the discipline mix on each campus.

Table 21 shows the difference between current level and the adjusted AAUP salaries. The increases range from 5.6 percent at Eastern to 9.8 percent at Montana State University.

Table 21
Comparison of AAUP Adjusted Salary to the Current Level
Fiscal 1988 Reported Salary

Unit	Fiscal 1988 Reported Salary	AAUP Adjusted Salary	Difference	Percent Increase
MSU	\$31,043	\$34,089	\$3,046	9.8
UM	31,221	33,115	1,894	6.1
EMC	26,375	27,839	1,464	5.6
NMC	25,185	27,004	1,819	7.2
WMCUM	24,490	26,725	2,235	9.1
MCMST	31,493	34,110	2,617	8.3

Table 22 shows the formula salary increase over fiscal 1988 reported salaries if the salary increases are phased-in over a two-year period.

Table 22
Comparison of AAUP Adjusted Salary Phased-In to the Current Level
Reported Fiscal 1988 Average Salary

- - - - - Phased-In AAUP Salary - - - - -									
Reported FY88 Salary	- - - - Fiscal 1990 - - - -		Percent		- - - - Fiscal 1991 - - - -		Percent		- 1991 Biennium -
	FY90	Increase	Increase		FY91	Increase	Increase		Percent
								Increase	Increase
MSU	\$31,043	\$32,566	\$1,523	4.9	\$34,089	\$1,523	4.7	\$3,046	9.8
UM	31,221	32,168	947	3.0	33,115	947	2.9	1,894	6.1
EMC	26,375	27,107	732	2.8	27,839	732	2.7	1,464	5.6
NMC	25,185	26,095	910	3.6	27,004	909	3.5	1,819	7.2
WMCUM	24,490	25,608	1,118	4.6	26,725	1,117	4.4	2,235	9.1
MCMST	31,493	32,802	1,309	4.2	34,110	1,308	4.0	2,617	8.3

The University Funding Study Committee and university representatives discussed the concept of student faculty ratios remaining constant unless there was a major change in programs or student enrollment by discipline area. The University Funding Study Committee examined a variety of student faculty ratios. Table 23 shows the same five ratios as presented in Table 15 in Issue 1 with the Montana State University student faculty ratio of 17 adjusted to 18. Since the AAUP salary for Montana State University was adjusted from Category IIA to Category I with the University of Montana, the student faculty ratio is also adjusted to the same level as the University of Montana. This will reflect actual

practice, as the operating ratio for Montana State University for fiscal 1989 was reported by Montana State University to the Board of Regents to be 18.36.

Table 23
Montana University System
Student/Faculty Ratios

Unit	(1) Current Level 1991 Biennium	(2) - Fiscal 1987 - Simple AY Average Montana	(3) Peers Average	(4) 1989 Biennium	(5) Fiscal 1987 UFS	Rounded Average	Adjusted Student/ Faculty Ratio
MSU	17.84	16.67	16.14	17.80	15.61	17	18
UM	18.70	17.79	16.14	18.89	17.01	18	18
EMC	19.09	18.86	19.16	19.21	18.51	19	19
NMC	15.45	15.47	15.91	15.24	15.83	16	16
WMC	15.52	18.26	15.03	15.35	16.72	16	16
MCMST	17.32	16.82	11.61	17.46	16.17	16	16

Table 24 shows the instruction and support program costs using the phased-in adjusted AAUP salary and the adjusted composite student faculty ratios. Instruction and support program costs increase by \$4,627,613 over current level in fiscal 1990 and by \$8,199,008 in fiscal 1991.

Table 24
Instruction and Support Program
AAUP Phased-In Salary and Student Faculty Ratio

	Option A				Current Level		Increase	
	St/Fac	Faculty	Instruction	Support	Instruction	Support	Instruction	Support
Unit	Ratio	Salary	Program	Program	Program	Program	Program	Program
Fiscal 1990								
MSU	18	\$32,566	\$24,666,182	\$13,340,261	\$23,764,909	\$12,852,824	\$ 901,273	\$ 487,437
UM	18	32,168	19,975,675	10,803,486	18,681,926	10,103,785	1,293,749	699,701
EMC	19	27,107	7,123,136	4,970,474	6,906,483	4,819,295	216,653	151,179
NMC	16	26,095	4,037,167	2,817,106	4,041,505	2,820,133	(4,338)	(3,027)
WMCUM	16	25,608	2,129,674	1,486,072	2,104,143	1,468,256	25,531	17,816
MCMST	16	32,802	4,681,935	2,845,292	4,158,436	2,527,152	523,499	318,140
Total			\$62,613,769	\$36,262,691	\$59,657,402	\$34,591,445	\$2,956,367	\$1,671,246
Fiscal 1991								
MSU	18	\$34,089	\$25,784,794	\$13,945,243	\$23,770,458	\$12,855,825	\$2,014,336	\$1,089,418
UM	18	33,115	20,547,446	11,112,717	18,686,286	10,106,142	1,861,160	1,006,575
EMC	19	27,839	7,310,759	5,101,395	6,909,686	4,821,529	401,073	279,866
NMC	16	27,004	4,171,644	2,910,944	4,041,505	2,820,133	130,139	90,811
WMCUM	16	26,725	2,218,945	1,548,364	2,104,629	1,468,595	114,316	79,769
MCMST	16	34,110	4,863,227	2,955,466	4,159,406	2,527,742	703,821	427,724
Total			\$64,896,815	\$37,574,129	\$59,671,970	\$34,599,966	\$5,224,845	\$2,974,163

Option A: Adopt the composite average student faculty ratio and the AAUP West Mountain Region salary phased in over two years, indexed by discipline, and adjusted for Montana's relative tax capacity. This option increases instruction and support program costs by \$4,627,613 in fiscal 1990 and \$8,199,008 in fiscal 1991.

Option B: Approve current level.

ISSUE 4: MANDATORY WAIVERS

Mandatory waivers in the scholarships and fellowships program are required by statute or board policy for specific categories of students. Consequently the institutions do not control the categories or the number of students who receive the waivers. Table 25 shows the annual changes in mandatory waivers expenditures from fiscal 1985 to fiscal 1988. The percent of change from year to year for all units varies widely. The expenditures for mandatory waivers at the University of Montana increased by 3.1 percent from fiscal 1985 to 1986, by 42.1 percent from fiscal 1986 to 1987, and by 0.5 percent from fiscal 1987 to 1988. Western Montana College expenditures increased by 36.0 percent from fiscal 1985 to 1986, decreased by 3.7 percent from fiscal 1986 to 1987, and increased by 4.4 percent from fiscal 1987 to 1988. Each unit's annual expenditures for mandatory waivers are unpredictable, affecting the ability to obligate scholarship and

fellowship funds for discretionary waivers. However, at a system-wide level, the expenditures are more consistent from year to year. The value of a mandatory waiver and total university system expenditures for mandatory waivers increased at approximately the same rates from fiscal 1985 to fiscal 1988, with an overall increase of 43.8 percent for total expenditures and 43.1 percent for the value of an individual waiver. Over the same time period, the total number of funded FTE waivers at a system level remained relatively constant, increasing by only 0.6 percent.

Table 25
Mandatory Waivers
Fiscal Years 1985 through 1988

Unit	Fiscal 1985	Fiscal 1986	% Change FY85-86	Fiscal 1987	% Change FY86-87	Fiscal 1988	% Change FY87-88	% Change FY85-88
MSU	\$212,307	\$263,259	24.0	\$295,310	12.2	\$305,278	3.4	43.8
UM	159,544	164,456	3.1	233,645	42.1	234,813	0.5	47.2
EMC	121,039	135,184	11.7	160,367	18.6	152,829	(4.7)	26.3
NMC	89,324	123,111	37.8	156,724	27.3	139,434	(11.0)	56.1
WMCUM	14,276	19,411	36.0	18,690	(3.7)	19,514	4.4	36.7
MCMST	29,532	37,994	28.7	46,467	22.3	48,513	4.4	64.3
Total	\$626,022 =====	\$743,415 =====	18.8	\$911,203 =====	22.6	\$900,381 =====	(1.2)	43.8
Waiver Value	\$585	\$693	18.5	\$837	20.8	\$837	0.0	43.1
FTE Waivers	1,070	1,073	0.3	1,089	1.5	1,076	(1.2)	0.6

A more accurate projection of expenditures for mandatory waivers could be made by continuing to calculate the budget for mandatory waivers based on expenditures at each unit, but establishing a pooled fund for reimbursement to each unit for actual mandatory waivers granted. No additional funding is required for any of the following options.

Option A: Establish a university system mandatory waivers pool at the Office of the Commissioner of Higher Education.

Option B: Establish separate line item appropriations for mandatory and discretionary waivers. An excess in mandatory waivers would be reverted, a shortfall would allow a supplemental request.

Option C: Continue the current method of budgeting mandatory waivers at each unit.

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